Annual Financial Report
June 30, 2019

East Side Union High School District

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EAST SIDE UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION

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CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Side Union High School District (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, 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 on pages 5 through 12 and the General Fund Budgetary Comparison Schedule, the Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios, Schedule of Contributions, the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Contributions on pages 72 through 78, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR),* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the other supplementary information as 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 accompanying supplementary information including the Schedule of Expenditures of Federal Awards and other supplemental information, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Palo Alto, California
December 15, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

The annual financial report of the East Side Union High School District (District) presents a discussion and analysis of the District's financial performance during the year ended June 30, 2019. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

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

- The District's cash and investments balances increased by $92.1 million with most of that increase reported in our capital projects funds. The increase was due to the issuance of general obligation bonds in the amount of $140 million some of which was used for capital projects at various school sites.
- Capital assets increased by $11.4 which is comprised of $44.4 million in capital asset additions which was offset by depreciation of $32.7 million and other disposals of capital assets.
- The District's long-term debt other than pension and other postemployment benefit (OPEB) liabilities increased by $90.1 million mainly due to the issuance of general obligation bonds which was offset by principal payments for $56.6 million. The District's general obligation bonds are secured with proceeds from property taxes collected from various bond measures approved by the District's voters.
- The District's net pension and OPEB liabilities decreased by $16.7 million mainly due to change in assumptions used to calculate these liabilities along with changes in earnings related to those plans with CalPERS and CalSTRS.
- The District's operating grants most of which received from federal and state sources increased by $10 million mainly due to additional Senate Bill 90 contributions made by the State on behalf of the District to CalPERS and CalSTRS.
- The District's instructional related expenses increased by $17.8 million mainly due to changes in the net pension and net OPEB liabilities along with increases in salaries and benefits.
- The District's Average Daily Attendance (ADA) decreased by 641 units due to declining enrollment of students at various District school sites.
- The District's state aid increased by $14.5 million due to increases related to Cost of Living Adjustments and other State authorized increases within the Local Control Funding Formula (LCFF).
- The District's contribution of $1.1 million from the General fund to the Child Development fund ends as of June 30, 2019 as the district is no longer self-operating a child care program.

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Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements which comprise of three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the basic financial statements. Additional supplementary information is included, in addition to the basic financial statements.

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.

The statement of net position includes all assets including capital assets, deferred outflows of resources, liabilities including long-term liabilities, deferred inflows of resources with the difference being presented as net position. Certain eliminations have occurred as prescribed by the generally accepted accounting principles for interfund activities.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to accrued, but uncollected grants, and to expenses pertaining to earned, but unused compensated absences.

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. All of the District's basic services are reported in governmental funds. These statements, however, focus on: (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end, which are available for spending. Such information is useful in determining what financial resources are available in the near future to finance the District's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances include a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains nine governmental funds organized according to their source of funding. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the: (1) General Fund (2) Building Fund, (3) Bond Interest and Redemption Fund, (4) and six other nonmajor funds that accounts for restricted or committed funds for capital or maintenance or educational programs.

The basic governmental fund financial statements can be found on pages 14-15 of this report.

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

The District maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprises fund to account for its food service activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for the management of its retained risks such as the self-insurance program. Because the services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the food service operations.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

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

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary fund.

The fiduciary fund financial statements can be found on pages 27-28 of this report.

The *Notes to the Financial Statements* provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-70 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District's budgetary comparison information and changes in the net pension and OPEB liabilities to its employees. Required supplementary information can be found on page 72-79 of this report.

The combining statements in connection with nonmajor governmental funds referred to earlier are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 90-93 of this report.

Government-wide Overall Financial Analysis

Net Position

The District reported a deficit net position of $130.9 million and $146.5 million deficit for the fiscal years ended June 30, 2019 and 2018, respectively. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits the Governing Board's ability to use net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's government-wide financial statement.

Table 1

	Governmental Activities		Business-Type Activities	
	2019	**2018**	**2019**	**2018**
Current and other assets	$ 469,414,831	$ 374,069,505	$ 33,725	$ 28,237
Capital assets	754,310,415	742,923,393	-	-
Total Assets	**1,223,725,246**	**1,116,992,898**	**33,725**	**28,237**
Deferred charge on refunding	4,741,515	7,416,588	-	-
Deferred outflows from pension and OPEB	86,746,065	91,807,503	1,613,351	3,942,484
Total Deferred Outflows	**91,487,580**	**99,224,091**	**1,613,351**	**3,942,484**
Current liabilities	51,274,802	59,739,403	33,725	28,237
Long-term obligations	1,042,044,077	951,990,151	-	-
Net other post-employment benefit liability	24,631,938	39,211,778	429,950	764,793
Aggregate net pension liability	271,313,833	270,987,814	5,756,876	7,665,069
Total Liabilities	**1,389,264,650**	**1,321,929,146**	**6,220,551**	**8,458,099**
Deferred inflows related to refunding	-	60,093	-	-
Deferred inflows from pension and OPEB	51,675,121	35,955,179	567,640	270,346
Total Deferred Inflows	**51,675,121**	**36,015,272**	**567,640**	**270,346**
Net position				
Net investment in capital assets	34,580,121	834,380	-	-
Restricted	95,132,195	103,895,550	-	-
Unrestricted	(255,439,261)	(246,457,359)	(5,141,115)	(4,757,724)
Total Net Position	**$ (125,726,945)**	**$ (141,727,429)**	**$ (5,141,115)**	**$ (4,757,724)**

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 financial statements. Table 2 takes the information from the Statement of Activities and rearranges by revenues and expenses.

Table 2

	Governmental Activities		Business-Type Activities	
	2019	**2018**	**2019**	**2018**
Revenues				
Program revenues				
Charges for services	$ 57,743	$ 151,566	$ 1,148,739	$ 1,436,418
Operating grants and contributions	52,621,906	42,285,098	4,388,436	4,686,397
Capital grants and contributions	1,269,232	4,453,787	-	-
General revenues				
State and federal sources	104,140,750	92,709,146	-	-
Taxes	235,515,312	226,196,052	-	-
Other general revenues	18,401,185	16,195,341	1,526,961	982,427
Total Revenues	**412,006,128**	**381,990,990**	**7,064,136**	**7,105,242**
Expenses				
Instruction related	250,208,991	232,444,390	-	-
Student support services	45,259,404	40,687,616	-	-
Administration	17,654,229	16,743,131	-	-
Maintenance and operations	29,603,424	29,690,139	-	-
Other outgo	10,456,710	9,325,660	-	-
Food services	-	-	7,447,527	8,046,219
Interest and other	42,822,886	41,493,444	-	-
Total Expenses	**396,005,644**	**370,384,380**	**7,447,527**	**8,046,219**
Change in Net Position	**$ 16,000,484**	**$ 11,606,610**	**$ (383,391)**	**$ (940,977)**

Governmental Activities

As reported in the Statement of Activities in the financial statements, the cost of all of our governmental activities this year was $396.0 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $235.5 million because the cost was paid by those who benefited from the programs ($0.06 million) or by other governments and organizations who subsidized certain programs with operating and capital grants and contributions ($53.9 million). We paid for the remaining public benefit portion of our governmental activities with $104.1 million in Federal and State funds that are not restricted to specific purposes and with other revenues, like interest and general entitlements.

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

Table 3

	2019	2018
Instruction and related activities	$ 205,284,748	$ 191,898,764
Pupil services	39,611,664	36,844,718
General administration	16,122,572	15,793,162
Maintenance and operations	28,683,414	29,203,388
Interest	39,660,228	38,431,063
Other	12,694,137	11,332,834
Totals	**$ 342,056,763**	**$ 323,503,929**

The District's Funds

As the District completed this year, our governmental funds reported a combined fund balance of $425.7 million, which was an increase of $103.8 million from last year. The General fund reported a decrease in fund balance of $3.2 million. The Building fund reported an increase in fund balance $115.4 million mainly due to the issuance of a new series of general obligation bonds. The Bond Interest and Redemption fund reported an increase in fund balance for $6.3 million mainly related to premiums generated from the new bond issuance in the current fiscal year. All other funds reported a combined decrease in fund balance for $14.7 million mainly because of transfers from the County School Facilities fund back into the Building fund related to projects reimbursed by the State's Office of Public Schools Construction.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in June 2019. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report page 72).

The State Local Control Funding Formula (LCFF) revenue is the main funding source or general fund for the general operation expenditures of the District. The net LCFF ADA base is $9,269 and supplemental per ADA is $984 with 53% unduplicated count percentage of Economic Disadvantage, Foster Youth, Homeless, English Language Learner and Migrant Education Students. The enrollment reported in the California Basic Educational Data System (CBEDS) decreased 730 from 2017-18 of 23,336 to 22,606 in 2018-19. Second period average daily attendance (commonly known as P-2 ADA) decreased by 641 from 2017-18 of 22,081 to 21,440 in 2018-19.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2019, the District governmental activities had $754.3 million in a broad range of capital assets. This amount represents a net increase (including additions, deductions and depreciation) of $11.4 million, or 1.5%, from last year.

Table 4

	Governmental Activities	
	2019	**2018**
Land	$ 25,442,454	$ 25,442,454
Construction in progress	38,229,440	128,167,067
Buildings and improvements	951,556,101	819,561,696
Furniture and equipment	39,750,545	40,913,983
Total Assets	1,054,978,540	1,014,085,200
Less Accumulated Depreciation	300,668,125	271,161,807
Totals	**$ 754,310,415**	**$ 742,923,393**

This year's major capital asset additions include James Lick Student Center and Quad Modernization and Oak Grove Student Center and Quad Modernization projects. The newly renovated Student Centers and Quad areas offer students an enhanced school environment with a spacious cafeteria, modern library, state-of-the-art conference rooms, and an ideal space for studying and collaboration with other students and staff.

The Building fund reported the fund balance of $286.8 million. These funds are programmed for projects that are in the planning, design, and construction phases for the upcoming year(s). Major projects approved by various measures and authorized by the voters of the District include Andrew Hill Student Union Building with Performing Arts Classroom Building, Evergreen Valley Cougar Hall-Library Modernization, Education Center Adult Transition Program North, Independence Building A1- Student Union and Building E Music Modernization, Santa Teresa Soccer Field Conversion to Synthetic Turf , Santa Teresa New Classroom Building, Silver Creek New Classroom Building K and Buildings J and T Modernization, and W.C. Overfelt Music, Art and Administration New Building and Central Quad Modernization.

The District entered into construction contracts for the modernization at Santa Teresa High School for the amount of $2.9 million, the construction at W.C. Overfelt High School for the amount of $22.9 million, the construction at the Education Center for the amount of $5.5 million, and the modernization at all other District Facilities for the amount of $7 million.

Additional information about the District's capital assets can be found on page 45.

Long-Term Obligations

Table 5

	Governmental Activities 2019	Governmental Activities 2018
General obligation bonds	$ 949,044,183	$ 863,827,020
Premium	61,910,392	56,806,806
OPEB revenue bonds	28,205,000	28,860,000
Capital lease	333,423	238,350
Compensated absences (vacation)	2,551,079	2,257,975
Totals	**$ 1,042,044,077**	**$ 951,990,151**

The District's latest general obligation bond issuance was rated "AA" by S&P. The State limits the amount of general obligation debt that districts can issue to 1.25% of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $949 million is below the statutorily imposed limit.

Additional information about the District's debt can be found on page 48.

In addition to amounts reported above, the District's reports net pension and net OPEB liabilities on its financial statements. These amounts will be paid for by the District as the District makes its monthly contributions to CalSTRS and CalPERS. The District reported a total of $277.1 million in net pension liabilities related to CalPERS and CalSTRS. In addition, the District reports a net OPEB liability of $25.1 million which are funded by the District's annual contributions to the OPEB Trust.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The LCFF is 100% funded for 2018-19 with the unduplicated count percentage at 53%. The District student enrollment is projected to decrease by 18 for 2019-20, and anticipates a continuous decline in 2020-21. The projected 2019-20 and 2020-21 CBEDS enrollment is 22,588 and 22,421, respectively.

The District projects to receive another one time discretionary grant in lieu of the Mandated Cost Reimbursement of $4.1 million in 2019-20.

In 2018-19, the District accepted and enrolled 28 international students in the International Student Program. In 2019-20, the District has accepted and enrolled 12 students for this program. This program continues to generate revenues for the district even though it has decreased in enrollment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Associate Superintendent of Business Services or Director of Finance, at East Side Union High School District, 830 North Capitol Avenue, San Jose, California, 95133.

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EAST SIDE UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	$ 451,044,487	$ 2,291,241	$ 453,335,728
Receivables	14,573,770	614,588	15,188,358
Internal balances	3,022,224	(3,022,224)	-
Prepaid items	596,293	-	596,293
Stores inventories	178,057	150,120	328,177
Capital assets not depreciated	63,671,894	-	63,671,894
Capital assets, net of accumulated depreciation	690,638,521	-	690,638,521
Total Assets	1,223,725,246	33,725	1,223,758,971
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	4,741,515	-	4,741,515
Deferred outflows of resources related to OPEB	3,043,268	56,655	3,099,923
Deferred outflows of resources related to pensions	83,702,797	1,556,696	85,259,493
Total Deferred Outflows of Resources	91,487,580	1,613,351	93,100,931
LIABILITIES			
Accounts payable	27,930,386	33,725	27,964,111
Interest payable	17,485,351	-	17,485,351
Unearned revenue	4,850,065	-	4,850,065
Long-term obligations other than OPEB and pensions:			
Claims liabilities due within one year	1,009,000	-	1,009,000
Current portion of long-term obligations	62,929,526	-	62,929,526
Noncurrent portion of long-term obligations	979,114,551	-	979,114,551
Net other post-employment benefits liability	24,631,938	429,950	25,061,888
Aggregate net pension liability	271,313,833	5,756,876	277,070,709
Total Liabilities	1,389,264,650	6,220,551	1,395,485,201
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to OPEB	18,789,619	349,798	19,139,417
Deferred inflows of resources related to pensions	32,885,502	217,842	33,103,344
Total Deferred Inflows of Resources	51,675,121	567,640	52,242,761
NET POSITION			
Net investment in capital assets	34,580,121	-	34,580,121
Restricted for:			
Debt service	68,349,938	-	68,349,938
Capital projects	12,082,898	-	12,082,898
Educational programs	4,783,423	-	4,783,423
Self insurance	9,915,936	-	9,915,936
Unrestricted net position (deficit)	(255,439,261)	(5,141,115)	(260,580,376)
Total Net Position	$ (125,726,945)	$ (5,141,115)	$ (130,868,060)

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, 2019

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental Activities:				
Instruction	$ 206,980,225	$ 31,115	$ 32,204,790	$ 1,269,232
Instruction-related activities:				
Supervision of instruction	21,177,289	8,667	7,409,599	-
Instructional library and technology	1,299,431	12	149,192	-
School site administration	20,752,046	3,310	3,848,326	-
Pupil services:				
Home-to-school transportation	9,180,516	-	105,742	-
All other pupil services	36,078,888	12,763	5,529,235	-
Administration:				
Data processing	3,910,101	-	119,171	-
All other administration	13,744,128	308	1,412,178	-
Maintenance and operations	29,603,424	258	919,752	-
Ancillary services	3,118,077	440	178,291	-
Community services	44,581	481	36,963	-
Interest on long-term obligations	39,660,228	-	-	-
Other outgo	10,456,710	389	708,667	-
Total Governmental Activities	396,005,644	57,743	52,621,906	1,269,232
Business-Type Activities:				
Food services	7,447,527	1,148,739	4,388,436	-
Total Primary Government	$ 403,453,171	$ 1,206,482	$ 57,010,342	$ 1,269,232

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

Transfers

Subtotal General Revenues and Transfers

Change in Net Position

Net Position - Beginning
Net Position - Ending

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

Net Revenues (Expenses) and Change in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (173,475,088)	$ -	$ (173,475,088)
(13,759,023)	-	(13,759,023)
(1,150,227)	-	(1,150,227)
(16,900,410)	-	(16,900,410)
(9,074,774)	-	(9,074,774)
(30,536,890)	-	(30,536,890)
(3,790,930)	-	(3,790,930)
(12,331,642)	-	(12,331,642)
(28,683,414)	-	(28,683,414)
(2,939,346)	-	(2,939,346)
(7,137)	-	(7,137)
(39,660,228)	-	(39,660,228)
(9,747,654)	-	(9,747,654)
(342,056,763)	-	(342,056,763)
-	(1,910,352)	(1,910,352)
(342,056,763)	(1,910,352)	(343,967,115)
143,927,855	-	143,927,855
88,530,653	-	88,530,653
3,056,804	-	3,056,804
104,140,750	-	104,140,750
5,985,980	4,258	5,990,238
194,089	-	194,089
13,743,819	-	13,743,819
(1,522,703)	1,522,703	-
358,057,247	1,526,961	359,584,208
16,000,484	(383,391)	15,617,093
(141,727,429)	(4,757,724)	(146,485,153)
$ (125,726,945)	$ (5,141,115)	$ (130,868,060)

EAST SIDE UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Building Fund
ASSETS		
Deposits and investments	$ 52,219,186	$ 289,154,431
Receivables	11,687,005	1,378,711
Due from other funds	4,309,017	-
Prepaid items	171,874	40,776
Stores inventories	178,057	-
Total Assets	$ 68,565,139	$ 290,573,918
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$ 23,538,915	$ 3,757,729
Due to other funds	-	-
Unearned revenue	4,770,000	-
Total Liabilities	28,308,915	3,757,729
Fund Balances:		
Nonspendable	352,431	40,776
Restricted	4,190,852	286,775,413
Committed	-	-
Unassigned	35,712,941	-
Total Fund Balances	40,256,224	286,816,189
Total Liabilities and Fund Balances	$ 68,565,139	$ 290,573,918

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
$ 85,558,924	$ 13,575,769	$ 440,508,310
276,365	1,187,495	14,529,576
-	-	4,309,017
-	-	212,650
-	-	178,057
$ 85,835,289	$ 14,763,264	$ 459,737,610
$ -	$ 594,664	$ 27,891,308
-	1,286,793	1,286,793
-	80,065	4,850,065
-	1,961,522	34,028,166
-	-	393,207
85,835,289	12,675,469	389,477,023
-	126,273	126,273
-	-	35,712,941
85,835,289	12,801,742	425,709,444
$ 85,835,289	$ 14,763,264	$ 459,737,610

EAST SIDE UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance - Governmental Funds		**$ 425,709,444**
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 1,054,978,540	
Accumulated depreciation is	(300,668,125)	754,310,415
Costs resulting from advance refunding are expensed in the governmental funds. On the government-wide statements, they are deferred and amortized over the life of the related debt.		4,741,515
Deferred inflows and outflows related to pension liability are not due in the current period and therefore are not reported on the governmental funds.		50,817,295
Deferred inflows and outflows related to OPEB liability are not due in the current period and therefore are not reported on the governmental funds.		(15,746,351)
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.		(17,485,351)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		9,915,936
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Long-term liabilities at year end consist of:		
General obligation bonds	(949,044,183)	
Bond premiums	(61,910,392)	
OPEB bonds	(28,205,000)	
Capital leases payable	(333,423)	
Compensated absences (vacation)	(2,551,079)	
Net OPEB liability	(24,631,938)	
Net pension liability	(271,313,833)	(1,337,989,848)
Total Net Position - Governmental Activities		**$ (125,726,945)**

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, 2019

	General Fund	Building Fund
REVENUES		
Local control funding formula	$ 238,525,405	$ -
Federal sources	11,562,572	-
Other State sources	38,131,201	108,173
Other local sources	10,682,440	3,980,229
Total Revenues	298,901,618	4,088,402
EXPENDITURES		
Current		
Instruction	172,208,871	-
Instruction-related activities:		
Supervision of instruction	17,803,782	-
Instructional library and technology	1,086,650	-
School site administration	15,419,227	-
Pupil services:		
Home-to-school transportation	8,051,306	-
All other pupil services	31,334,683	-
Administration:		
Data processing	3,429,155	-
All other administration	11,954,754	-
Maintenance and operations	22,753,637	5,863,347
Ancillary services	2,734,552	-
Community services	39,096	-
Other outgo	10,456,710	-
Capital outlay	55,430	40,171,613
Debt service		
Principal	765,649	-
Interest and other	1,550,671	-
Total Expenditures	299,644,173	46,034,960
Excess (Deficiency) of Revenues Over Expenditures	(742,555)	(41,946,558)
Other Financing Sources (Uses)		
Transfers in	2,138	17,396,172
Proceeds from new debt	340,500	140,000,000
Transfers out	(2,779,147)	-
Net Financing Sources (Uses)	(2,436,509)	157,396,172
NET CHANGE IN FUND BALANCES	(3,179,064)	115,449,614
Fund Balance - Beginning	43,435,288	171,366,575
Fund Balance - Ending	$ 40,256,224	$ 286,816,189

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ 238,525,405
-	1,100,645	12,663,217
488,246	12,441,395	51,169,015
89,938,915	3,212,946	107,814,530
90,427,161	16,754,986	410,172,167
-	6,432,616	178,641,487
-	768,690	18,572,472
-	52,952	1,139,602
-	2,780,304	18,199,531
-	-	8,051,306
-	306,481	31,641,164
-	-	3,429,155
-	295,138	12,249,892
-	494,761	29,111,745
-	-	2,734,552
-	-	39,096
-	-	10,456,710
-	4,135,866	44,362,909
56,554,240	-	57,319,889
37,743,090	-	39,293,761
94,297,330	15,266,808	455,243,271
(3,870,169)	1,488,178	(45,071,104)
-	1,156,444	18,554,754
10,222,729	-	150,563,229
-	(17,398,310)	(20,177,457)
10,222,729	(16,241,866)	148,940,526
6,352,560	(14,753,688)	103,869,422
79,482,729	27,555,430	321,840,022
$ 85,835,289	$ 12,801,742	$ 425,709,444

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, 2019

Total Net Change in Fund Balances - Governmental Funds		**$ 103,869,422**
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	$ 44,362,909	
Depreciation expense	(32,698,147)	11,664,762
Loss on disposal of capital assets is reported in the government-wide statement of net position, but is not recorded in the governmental funds.		(277,740)
Proceeds received from bonds are revenues in the governmental funds, but increase long-term obligations in the statement of net position and does not affect the statement of activities.		(143,542,806)
Some of the capital assets acquired this year were financed with capital leases.The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitue long-term obligations in the statement of net position.		(205,722)
Accretion of interest on capital appreciation bonds is recorded as an expense in the government-wide statement of activities, but is not recorded in the governmental funds.		1,771,403
Premium received from issuance of bonds is a revenue in the governmental funds, but it increases long-term obligations in the statement of net position and does not affect the statement of activities.		(10,222,729)
Repayment of the long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. Debt repayments for the year were as follows:		
General obligation bonds	56,554,240	
OPEB bonds	655,000	
Capital leases	110,649	57,319,889

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, 2019

Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is paid, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. The additional interest reported in the statement of activities is the net result of these two factors.	(1,039,134)
Amortization of premiums of the bonds is not a revenue source in the governmental funds, but is reflected as a revenue in the statement of activities.	5,119,143
Amortization of bond defeasance cost is not recognized in the governmental funds. In the government-wide statements, it is amortized over the life of the related bond.	(2,675,073)
In the statement of activities, certain operating expenses - compensated absences (vacation) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by $293,104.	(293,104)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the statement of activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	(10,838,874)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the statement of activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OEPB liability during the year.	4,311,315
An internal service fund is used by the District's management to charge the costs of the health and dental insurance program to the individual funds. The net gain of the internal service fund is reported with the government-wide activities.	1,039,732
Change in Net Position - Governmental Activities	**$ 16,000,484**

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Business-Type Activities- Cafteria Enterprise Fund	Governmental Activities- Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	$ 2,291,241	$ 10,536,177
Receivables	614,588	44,194
Prepaid items	-	383,643
Stores inventories	150,120	-
Total Current Assets	3,055,949	10,964,014
Deferred Outflows of Resources		
Deferred inflows of resources related to OPEB	56,655	-
Deferred inflows of resources related to pensions	1,556,696	-
Total Deferred Outflows of Resources	1,613,351	-
LIABILITIES		
Current Liabilities		
Accounts payable	33,725	39,078
Due to other funds	3,022,224	-
Claims liability	-	1,009,000
Total Current Liabilities	3,055,949	1,048,078
Noncurrent Liabilities		
Net other post-employment benefits liability	429,950	-
Aggregate net pension liability	5,756,876	-
Total Noncurrent Liabilities	6,186,826	-
Deferred Inflows of Resources		
Deferred inflows of resources related to OPEB	349,798	-
Deferred inflows of resources related to pensions	217,842	-
Total Deferred Inflows of Resources	567,640	-
NET POSITION		
Restricted for insurance programs	-	9,915,936
Unrestricted deficit	(5,141,115)	-
Total Net Position	$ (5,141,115)	$ 9,915,936

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, 2019

	Business-Type Activities- Cafeteria Enterprise Fund	Governmental Activities- Internal Service Fund
OPERATING REVENUES		
Food sales	$ 1,148,739	$ -
Indistrict contributions	-	11,551,424
Total Operating Revenues	1,148,739	11,551,424
OPERATING EXPENSES		
Payroll costs	5,193,536	-
Supplies and materials	1,541,851	75,888
Equipment rental	5,623	54,506
Claims expense	-	10,571,543
Other operating expenses	706,517	167,229
Total Operating Expenses	7,447,527	10,869,166
Operating Income (Loss)	(6,298,788)	682,258
NONOPERATING REVENUES		
Interest income	4,258	257,474
Federal grants	3,911,033	-
State grants	477,403	-
Total Nonoperating Revenues	4,392,694	257,474
Transfers in	1,522,703	100,000
Change in net position	(383,391)	1,039,732
Total Net Position - Beginning	(4,757,724)	8,876,204
Total Net Position - Ending	$ (5,141,115)	$ 9,915,936

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, 2019

	Business-Type Activities-Cafeteria Enterprise Fund	Governmental Activities-Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	$ 1,148,739	$ -
Cash received from indistrict contributions	-	11,551,424
Cash payments to employees for services	(4,810,145)	-
Cash payments for insurance claims	-	(9,940,312)
Cash payments to suppliers for goods and services	(1,568,532)	(40,300)
Cash payments for equipment rental	(5,623)	(54,506)
Cash payments for other operating expenses	(706,517)	(167,229)
Net Cash Provided (Used) For Operating Activities	(5,942,078)	1,349,077
CASH FLOWS FROM FINANCING ACTIVITIES		
Operating grants and contributions	4,384,305	-
Cash received from general fund	1,193,077	100,000
Net Cash Provided by Financing Activities	5,577,382	100,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	4,258	213,280
Net Cash Provided by Investing Activities	4,258	213,280
Net increase (decrease) in cash and cash equivalents	(360,438)	1,662,357
Cash and cash equivalents - Beginning	2,651,679	8,873,820
Cash and cash equivalents - Ending	$ 2,291,241	$ 10,536,177
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED/(USED) FOR OPERATING ACTIVITIES		
Operating (loss)/income	$ (6,298,788)	$ 682,258
Changes in assets and liabilities:		
Prepaid items	-	707,983
Stores inventories	(32,169)	-
Accounts payable	5,488	35,588
Pension, OPEB and related deferred inflows and outflows	383,391	-
Claims liabilities	-	(76,752)
NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES	$ (5,942,078)	$ 1,349,077

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, 2019

	Student Scholarship Trust Fund	Associated Student Body Agency Fund
ASSETS		
Deposits and investments	$ 650,860	$ 1,993,871
Total assets	650,860	1,993,871
LIABILITIES		
Accounts payable	$ 28,000	$ -
Due to student groups	-	1,993,871
Total Liabilities	28,000	$ 1,993,871
NET POSITION		
Restricted for scholarships	$ 622,860	

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Student Scholarship Trust Fund
ADDITIONS	
Investment income	$ 7,001
Total Additions	7,001
DEDUCTIONS	
Scholarships awarded	$ 34,356
Total Deductions	34,356
Change in Net Position	(27,355)
Net Position - Beginning	650,215
Net Position - Ending	$ 622,860

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The East Side Union High School District was organized in 1949 under the laws of the State of California. The District operates under a locally-elected five-member Governing Board form of government and provides educational services to grades 9-12 as mandated by the State and/or Federal agencies. The District operates 11 high schools, 3 adult education sites, 1 independent study program, 4 continuation schools, 5 child care centers and 1 alternative school.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

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

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

Non-Major Governmental Funds

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

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

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

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

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

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

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

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

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

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

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

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

The District operates trust and agency fund types. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for Associated Student Body (ASB) activities. Trust fund is used to account for the assets held by the District under a trust agreement for individuals and therefore not available to support the District's own programs. The District's trust fund accounts for student scholarships.

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2019, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures (Expenses)

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

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

Interfund Balances

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

Compensated Absences (Vacation)

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Debt Issuance Costs, Premiums and Discounts

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

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

Deferred Outflows/Inflows of Resources

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

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - All other spendable amounts.

Minimum Fund Balance Policy

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

Spending Order Policy

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

Net Position

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

Operating Revenues and Expenses

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

lnterfund Activity

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

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

Estimates

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

Property Tax

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

New Accounting Pronouncements Effective This Fiscal Year

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement did not have an impact on the District's financial statements.

New Accounting Pronouncements Effective in Future Years

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance related to fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the fiscal year 2019-20. The District is evaluating the impact of this Statement on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2019, or fiscal year 2020-21. The District is evaluating the impact of this Statement on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in the financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 or fiscal year 2020-21. The District is evaluating the impact of this Statement on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interest, an amendment of GASB statement No. 14 and No. 60*. The objectives of this Statement is to improve how majority equity interest is reported. The Statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method if a government's holding of the equity interest meets the definition of an investment and for all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 or fiscal year 2019-20. The District is evaluating the impact of this Statement on the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 or fiscal year 2020-21. The District is evaluating the impact of this Statement on the financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental funds	$	440,508,310
Proprietary funds		12,827,418
Fiduciary funds		2,661,723
Total Deposits and Investments	$	455,997,451

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	$	1,870,917
Cash in revolving		8,616
Investments		454,117,918
Total Deposits and Investments	$	455,997,451

Policies and Practices

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

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

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	$65M
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities but follows the provisions stipulated in the California Government Code which limits investment to securities with maturity of less than 5 years. In addition, the District manages its exposure to interest rate risk by substantially investing in the county pool and other investment pools and having the pools purchase a combination of shorter term and longer term investments. The following represents the weighted average maturity of the District's investment by type:

Investment Type	Fair Value	Average Maturity in Years
Mutual Funds	$ 645,028	0.00
Santa Clara County Investment Pool	452,960,037	1.19
Certificate of Deposits	512,853	0.77
Total	$ 454,117,918	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments are not rated as of June 30, 2019.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2019, the District bank balances of $196,523 were either federally insured or collateralized with securities held by the pledging financial institution's.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2019:

		Fair Value Measurement	
Investment Type	Fair Value	Level 1 Inputs	Uncategorized
Mutual Funds	$ 645,028	$ 645,028	$ -
Santa Clara County Investment Pool	452,960,037	-	452,960,037
Certificates of Deposits	512,853	512,853	-
Total	$ 454,117,918	$ 1,157,881	$ 452,960,037

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
Federal Government				
Categorical Aid	$ 6,337,731	$ -	$ -	$ 422,598
State Government				
Categorical Aid	1,258,222	-	-	556,265
Lottery	1,025,551	-	-	-
Local Government				
Interest	343,410	1,373,290	276,365	162,658
Other Local	2,722,091	5,421	-	45,974
Total	$ 11,687,005	$ 1,378,711	$ 276,365	$ 1,187,495

	Total Governmental Funds	Enterprise Fund	Internal Service Fund
Federal Government			
Categorical Aid	$ 6,760,329	$ 542,395	$ -
State Government			
Categorical Aid	1,814,487	36,283	-
Lottery	1,025,551	-	-
Local Government			
Interest	2,155,723	-	44,194
Other Local	2,773,486	35,910	-
Total	$ 14,529,576	$ 614,588	$ 44,194

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 25,442,454	$ -	$ -	$ 25,442,454
Construction in progress	128,167,067	25,690,503	115,628,130	38,229,440
Total Capital Assets Not Being Depreciated	153,609,521	25,690,503	115,628,130	63,671,894
Capital Assets Being Depreciated:				
Buildings and building improvement	723,843,811	100,696,186	740,540	823,799,457
Site improvement	95,717,885	32,038,759	-	127,756,644
Furniture and equipment	40,913,983	1,565,591	2,729,029	39,750,545
Total Capital Assets Being Depreciated	860,475,679	134,300,536	3,469,569	991,306,646
Total Capital Assets	1,014,085,200	159,991,039	119,097,699	1,054,978,540
Less Accumulated Depreciation:				
Buildings and building improvement	220,715,166	23,656,485	697,612	243,674,039
Site improvement	28,320,246	5,114,102	-	33,434,348
Furniture and equipment	22,126,395	3,927,560	2,494,217	23,559,738
Total Accumulated Depreciation	271,161,807	32,698,147	3,191,829	300,668,125
Governmental Activities Capital Assets, Net	$ 742,923,393	$ 127,292,892	$ 115,905,870	$ 754,310,415

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

Governmental Activities	
Instruction	$ 21,241,994
Supervision of instruction	2,208,423
Instructional library and technology	135,506
School site administration	2,164,080
Home-to-school transportation	957,370
All other pupil services	3,762,404
Ancillary services	325,162
Community services	4,650
Data processing services	407,757
All other administration	1,490,801
Total Depreciation Expenses, Governmental Activities	$ 32,698,147

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due From/Due To)

Interfund receivable and payable balances at June 30, 2019, are as follows:

Due From	Due To General Fund
Non-Major Governmental Funds	$ 1,286,793
Enterprise Fund	3,022,224
Total	$ 4,309,017

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

Operating Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

	Transfer In					
Transfer Out	General Fund	Building Fund	Non-Major Governmental Funds	Enterprise Fund	Internal Service Fund	Total
General Fund	$ -	$ -	$ 1,156,444	$ 1,522,703	$ 100,000	$ 2,779,147
Non-Major Funds	2,138	17,396,172	-	-	-	17,398,310
	$ 2,138	$ 17,396,172	$ 1,156,444	$ 1,522,703	$ 100,000	$ 20,177,457

The General Fund transferred to Child Development Fund for contribution.	$ 1,156,444
The General Fund transferred to Cafeteria Fund for contribution.	1,522,703
The General Fund transferred to Self Insurance Fund for contribution.	100,000
The County School Facility Fund transferred to Building Fund for contribution.	17,262,998
The Special Reserve - Capital Outlay Fund transferred to Building Fund for contribution.	133,174
The Special Reserve - Capital Outlay Fund transferred to General Fund for contribution.	2,138
	$ 20,177,457

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

NOTE 7 - DEFERRED CHARGE ON REFUNDING

Deferred outflows of resources is a consumption of net position by the District that is applicable to a future reporting period. For governmental activities, the net investment in capital assets amount of $34,580,091 includes the effect of deferring the recognition of loss from advance refunding. The $4,741,485 balance of the deferred charge on refunding at June 30, 2019 will be recognized as an expense and as a decrease in net position over the remaining life of related bonds.

Deferred charge on refunding at June 30, 2019 is as follows:

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Deferred charge on refunding	$ 7,416,588	$ -	$ 2,675,073	$ 4,741,515

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Vendor payables	$ 11,026,957	$ 3,757,729	$ 227,493	$ 15,012,179
State apportionment	1,440,102	-	-	1,440,102
State in-lieu tax	3,120,926	-	-	3,120,926
Salaries and benefits	7,950,930	-	367,171	8,318,101
Total	$ 23,538,915	$ 3,757,729	$ 594,664	$ 27,891,308

	Enterprise Fund	Internal Service Fund
Vendor payables	$ 33,725	$ 39,078
State apportionment	-	-
Total	$ 33,725	$ 39,078

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal financial assistance	$ 510,333	$ 31,997	$ 542,330
State categorical aid	465,303	48,068	513,371
Other local	3,794,364	-	3,794,364
Total	$ 4,770,000	$ 80,065	$ 4,850,065

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

Summary

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

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

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	$ 863,827,020	$ 141,771,403	$ 56,554,240	$ 949,044,183	$ 56,940,722
Bond premium	56,806,806	10,222,729	5,119,143	61,910,392	5,119,149
OPEB bonds	28,860,000	-	655,000	28,205,000	730,000
Capital leases	238,350	205,722	110,649	333,423	139,655
Compensated absences	2,257,975	293,104	-	2,551,079	-
Total	$ 951,990,151	$ 152,492,958	$ 62,439,032	$ 1,042,044,077	$ 62,929,526

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Title	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding June 30, 2018	Accreted/ Issued	Defeased/ Redeemed	Bonds Outstanding June 30, 2019
Current Interest Bonds							
2003 Refunding	2027	2.0%-5.3%	$ 97,160,000	$ 55,915,000	$ -	$ 3,215,000	$ 52,700,000
2006 Refunding	2025	4.0%-5.25%	42,665,000	32,805,000	-	2,970,000	29,835,000
2007 Refunding	2020	4.0%-5.0%	11,545,000	2,490,000	-	1,485,000	1,005,000
2002 Series H	2034	5.1%-6.0%	18,000,000	525,000	-	525,000	-
2008 Series B	2040	3.0%-5.0%	100,000,000	4,520,000	-	2,200,000	2,320,000
2010 Refunding	2028	2.0%-5.0%	46,160,000	31,485,000	-	2,610,000	28,875,000
2008 Series C	2026	4.0%	20,026,088	11,890,257	-	1,334,240	10,556,017
2008 Series D	2043	2.0%-5.0%	100,000,000	97,650,000	-	1,400,000	96,250,000
2008 Series E	2032	3.5%-5.0%	78,970,000	78,970,000	-	-	78,970,000
2011 Refunding	2022	3.8%-4.6%	20,135,000	9,445,000	-	2,585,000	6,860,000
2012 Refunding	2029	2.0%-5.0%	36,735,000	27,815,000	-	2,020,000	25,795,000
2013 Refunding	2030	3.0%-5.0%	88,145,000	85,435,000	-	750,000	84,685,000
2014 Refunding	2036	2.0%-5.0%	41,400,000	36,515,000	-	1,515,000	35,000,000
2012 Series A	2039	2.0%-5.0%	20,000,000	17,050,000	-	500,000	16,550,000
2012 Series B	2036	4.0%-5.0%	100,000,000	95,400,000	-	2,120,000	93,280,000
2014 Series A	2019	5.0%	16,200,000	5,690,000	-	5,690,000	-
2015 Refunding	2035	3.0%-5.0%	41,420,000	41,350,000	-	1,275,000	40,075,000
2016 Refunding A	2033	2.0%-5.0%	16,060,000	15,745,000	-	-	15,745,000
2016 Refunding B	2039	2.0%-5.0%	83,665,000	82,080,000	-	-	82,080,000
2016 Series A	2022	2.0%-4.0%	72,000,000	72,000,000	-	19,865,000	52,135,000
2014 Series B	2022	2.0%-4.0%	20,000,000	20,000,000	-	-	20,000,000
2016 Series B	2036	3.0%-5.0%	140,000,000	-	140,000,000	-	140,000,000
Subtotal				824,775,257	140,000,000	52,059,240	912,716,017
Capital Appreciation Bonds							
2002 Series E	2020	4.2%-5.1%	29,999,529	6,085,450	224,550	3,000,000	3,310,000
2002 Series G	2032	4.6%-6.9%	19,997,739	32,966,313	1,546,853	1,495,000	33,018,166
Subtotal				39,051,763	1,771,403	4,495,000	36,328,166
Total General Obligation Bonds				$ 863,827,020	$ 141,771,403	$ 56,554,240	$ 949,044,183

Debt Service Requirements to Maturity

The bonds mature through 2043 as follows:

Debt Service Requirements to Maturity - Bonds

Fiscal Year	Principal	Interest to Maturity	Total
2020	$ 56,940,722	$ 40,386,878	$ 97,327,600
2021	60,499,944	36,977,394	97,477,338
2022	66,083,059	34,649,105	100,732,164
2023	46,674,868	32,223,798	78,898,666
2024	47,704,242	30,010,042	77,714,284
2025-29	261,507,841	114,758,630	376,266,471
2030-34	222,913,597	69,083,770	291,997,367
2035-39	136,955,000	17,357,979	154,312,979
2040-43	33,265,000	2,611,238	35,876,238
Subtotal	932,544,273	$ 378,058,834	$1,310,603,107
Accretion to date	16,499,910		
Total	$ 949,044,183		

Other Post-Employment Benefit (OPEB) Revenue Bonds

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

The outstanding general obligation bonded debt is as follows:

Maturity Date	Interest Rate	Original Issue	Bonds Outstanding June 30, 2018	Redeemed	Bonds Outstanding June 30, 2019
2036	5.18%-5.32%	$ 32,050,000	$ 28,860,000	$ 655,000	$ 28,205,000

Debt Service Requirements to Maturity

The bonds mature through 2036 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2020	$ 730,000	$ 1,498,343	2,228,343
2021	815,000	1,460,529	2,275,529
2022	900,000	1,418,312	2,318,312
2023	995,000	1,370,432	2,365,432
2024	1,095,000	1,317,498	2,412,498
2025-29	7,220,000	5,593,980	12,813,980
2030-34	10,840,000	3,310,902	14,150,902
2035-36	5,610,000	452,998	6,062,998
Total	$ 28,205,000	$ 16,422,994	$ 44,627,994

Compensated Absences (Vacation)

The total compensated absences (vacation) for the District at June 30, 2019, amounted to $2,551,079.

Capital Leases

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

These capital leases mature through 2024 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2020	$ 139,655	$ 26,059	$ 165,714
2021	87,396	17,321	104,717
2022	48,360	11,001	59,361
2023	43,430	11,001	54,431
2024	14,582	6,546	21,128
Total	$ 333,423	$ 71,928	$ 405,351

NOTE 11 - UNRESTRICTED NET POSITION AND FUND BALANCES

Unrestricted net position of governmental activities at June 30, 2019, is composed of the following elements:

	Governmental Activities
General Fund unrestricted fund balance	$ 36,065,372
Adult Education Fund committed fund balance	126,273
Other post-employment benefit revenue bonds	(28,205,000)
Compensated absences	(2,551,079)
Subtotal without the net effect of pension and OPEB liabilities	5,435,566
Net deferred outflow of resources from pension activities	50,817,295
Net pension liability	(271,313,833)
Net deferred outflow of resources from OPEB activities	(15,746,351)
Net OPEB liability	(24,631,938)
Total including pension and OPEB liabilities and related deferrals	$ (255,439,261)

Governmental Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable					
Revolving cash	$ 2,500	$ -	$ -	$ -	$ 2,500
Stores inventories	178,057	-	-	-	178,057
Prepaid items	171,874	40,776	-	-	212,650
Total Nonspendable	352,431	40,776	-	-	393,207
Restricted					
Educational programs	4,190,852	-	-	592,571	4,783,423
Capital projects	-	286,775,413	-	12,082,898	298,858,311
Debt services	-	-	85,835,289	-	85,835,289
Total Restricted	4,190,852	286,775,413	85,835,289	12,675,469	389,477,023
Committed					
Adult education program	-	-	-	126,273	126,273
Total Committed	-	-	-	126,273	126,273
Unassigned					
Reserve for economic uncertainties	8,992,236	-	-	-	8,992,236
Remaining unassigned	26,720,705	-	-	-	26,720,705
Total Unassigned	35,712,941	-	-	-	35,712,941
Total	$ 40,256,224	$ 286,816,189	$ 85,835,289	$ 12,801,742	$ 425,709,444

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the District contracted with Northern California Regional Liability Excess Fund for property and liability insurance coverage. Settled claims have not exceeded the commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2019, the District participated in the Santa Clara County Schools Insurance Group, an insurance purchasing pool. The intent of the Santa Clara County Schools Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Santa Clara County Schools Insurance Group. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Santa Clara County Schools Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Santa Clara County Schools Insurance Group. Participation in the Santa Clara County Schools Insurance Group is limited to districts that can meet the Santa Clara County Schools Insurance Group selection criteria.

Claims Liabilities

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

Unpaid Claims Liabilities

The Internal Service Fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District's self-insured dental and vision insurance program from July 1, 2017 to June 30, 2019:

	Health Benefits
Liability Balance, July 1, 2017	$ 1,363,387
Claims and changes in estimates	9,792,167
Claim payments	(10,069,802)
Liability Balance, June 30, 2018	1,085,752
Claims and changes in estimates	10,571,527
Claim payments	(10,648,279)
Liability Balance, June 30, 2019	$ 1,009,000
Assets available to pay claims at June 30, 2019	$ 10,924,936

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

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 23,525,021	$ 3,099,923	$ 19,139,417	$ 1,694,272
Medicare Premium Payment (MPP) Program	1,536,867	-	-	200,030
Total	$ 25,061,888	$ 3,099,923	$ 19,139,417	$ 1,894,302

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

At June 30, 2018, the most recent actuarial valuation, the Plan membership consisted of the following:

	Membership
Inactive employees or beneficiaries currently receiving benefits payments	234
Active employees	1,206
Total Plan Membership	1,440

Benefits Provided

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

Contributions

The contribution requirements of plan members and the District are established and may be amended by the District and the East Side Teacher Association (ESTA) and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For the current fiscal year, the District contributed $3,099,923 to the Plan, all of which was used for current premiums.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.0%, average, including inflation
Investment rate of return	5.0%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	6.0% for 2019, 5.75% for 2020, 5.5% for 2021 and after
Discount rate	3.99%

Mortality rates were based on the 2016 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

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

Discount Rate

The discount rate used to measure the total OPEB liability was 3.99 percent. The projection of cash flows used to determine the discount rate assumed that the District will receive reimbursement from the OPEB trust for benefits paid to retired employees until the trust is exhausted. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2035, and the Fidelity General Obligation AA Index was applied to all periods after 2035. The discount rate of 3.99 percent is the single rate of return at which the actuarial present value of all projected benefit payments equals to the present value of projected benefit payments using the two rates.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017 measurement date	$ 61,152,370	$ 22,912,696	$ 38,239,674
Service cost	2,197,246	-	2,197,246
Interest	2,259,566	-	2,259,566
Changes in assumptions	(677,554)	-	(677,554)
Difference between actual and expected experience	(14,038,060)	-	(14,038,060)
Contributions-employer	-	2,649,475	(2,649,475)
Net investment income	-	1,829,471	(1,829,471)
Administrative expense	-	(23,095)	23,095
Benefit payments	(4,311,762)	(4,311,762)	-
Net change in total OPEB liability	(14,570,564)	144,089	(14,714,653)
Balance at June 30, 2018 measurement date	$ 46,581,806	$ 23,056,785	$ 23,525,021

Changes of assumptions and other inputs reflect a change in the discount rate from 3.83 percent in 2017 valuation to 3.99 percent in the 2018 valuation.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.99%)	$ 27,962,360
Current discount rate (3.99%)	23,525,021
1% increase (4.99%)	19,550,013

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

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

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (5% to 4%)	$ 18,719,967
Current healthcare cost trend rate (initial 6% to an ultimate 5% in 2021)	23,525,021
1% increase (7% to 6%)	29,180,936

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

For the year ended June 30, 2019, the District recognized OPEB expense of $1,694,272.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 4,266,012
Difference between actual and expected experience	-	13,035,341
Contributions subsequent to measurement date	3,099,923	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,838,064
Total	$ 3,099,923	$ 19,139,417

Contributions paid subsequent to the measurement date will be recognized in OPEB expense in fiscal year ending 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2020	$ 1,908,521
2021	1,908,521
2022	1,908,521
2023	1,549,797
2024	1,359,324
Thereafter	10,504,733
	$ 19,139,417

<u>Medicare Premium Payment (MPP) Program</u>

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

Contributions

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

Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of $1,536,867 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.4015 percent, and 0.4129 percent, resulting in a net decrease in the proportionate share of 0.0113 percent.

For the year ended June 30, 2019, the District recognized OPEB credit of $200,030.

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Inflation	2.75%
Salary increases	3.0%, average, including inflation
Investment rate of return	3.87%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	3.7% for Part A and 4.1% for Part B

For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program.

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018 and 2017 was 3.87 percent and 3.58 percent, respectively. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent and 3.58 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018 and 2017, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.87%)	$1,699,853
Current discount rate (3.87%)	1,536,867
1% increase (4.87%)	1,389,704

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

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 1,401,468
Current discount rate (3.7% Part A and 4.1% Part B)	1,536,867
1% increase (4.7% Part A and 5.1% Part B)	1,682,487

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 205,593,282	$ 65,931,540	$ (30,398,618)	$ 7,071,184
CalPERS	71,477,427	19,327,953	(2,704,726)	6,392,400
Total	$ 277,070,709	$ 85,259,493	$ (33,103,344)	$ 13,463,584

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2019 are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Normal retirement age	60	62
Monthly benefits as a precentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

Contributions

For required members, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with Assembly Bill 1469, *State Teachers' Retirement: Defined Benefit Program*, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were $20,097,021.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	$	205,593,282
State's proportionate share of the net pension liability associated with the District		117,711,769
Total net pension liability, including State share	$	323,305,051

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.22370 percent and 0.22804 percent, resulting in a net decrease in the proportionate share of 0.00434 percent.

For the year ended June 30, 2019, the District recognized pension expense of $7,071,184. In addition, the District recognized pension expense and revenue of $2,964,412 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Pension contributions subsequent to measurment date	$	20,097,021	$	-
Net change in proportionate share of net pension liability		13,257,512		19,495,621
Difference between projected and actual earnings on pension plan investments		-		7,916,640
Differences between expected and actual experience		637,537		2,986,357
Changes of assumptions		31,939,470		-
Total	$	65,931,540	$	30,398,618

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 1,718,926
2021	(1,247,298)
2022	(6,641,753)
2023	(1,746,515)
Total	$ (7,916,640)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 4,938,893
2021	4,938,893
2022	4,938,894
2023	2,266,532
2024	6,790,245
Thereafter	(520,916)
Total	$ 23,352,541

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.1%)	$ 301,170,100
Current discount rate (7.1%)	205,593,282
1% increase (8.1%)	126,350,826

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan(s) regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Normal retirement age	55	62
Monthly benefits as a precentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were $6,788,525.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $71,477,427. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.26808 percent and 0.28384 percent, resulting in a net decrease in the proportionate share of 0.01576 percent.

For the year ended June 30, 2019, the District recognized pension expense of $6,392,400. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 6,788,525	$ -
Net change in proportionate share of net pension liability	130,649	2,704,726
Difference between projected and actual earnings on pension plan investments	586,275	-
Differences between expected and actual experience in the measurement of the total pension liability	4,685,798	-
Changes of assumptions	7,136,706	-
Total	$ 19,327,953	$ 2,704,726

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

Year Ended June 30,	Deferred Outflows of Resources
2020	$ 2,132,411
2021	509,947
2022	(1,634,194)
2023	(421,889)
Total	$ 586,275

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 4,610,368
2021	3,891,889
2022	746,170
Total	$ 9,248,427

Actuarial Methods and Assumptions

Total pension liability for the Simplified Employee Plan (SEP) was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Cash/liquidity	1%	-0.92%
	100%	

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 78,994,415
Current discount rate (7.15%)	71,477,427
1% increase (8.15%)	31,253,957

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

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

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $13,828,479, $12,558,490, and $9,824,898 (9.828, 9.328, and 8.828 percent of annual payroll) for the years ending June 30, 2019, 2018 and 2017, 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.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–2019 contribution on-behalf of school employers of $2.246 billion for CalSTRS and $904 million for CalPERS. A proportionate share of these contribution has been recorded in these financial statements.

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

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

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

During the year ended June 30, 2019, the District made payments of $1,588,930 and $3,197,175 to Northern California Regional Liability Excess Fund and Santa Clara County Schools Insurance Group, respectively. Payments to the Metropolitan Education District were transferred to them directly from the Santa Clara County Office of Education.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

Litigation

The District is also involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

Construction Commitments

As of June 30, 2019, the District had construction commitments in the amount of $38,299,776.

REQUIRED SUPPLEMENTARY INFORMATION

EAST SIDE UNION HIGH SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance Positive (Negative) Final to Actual
	Original	Final	Actual	
REVENUES				
Local control funding formula	$ 237,132,674	$ 238,437,423	$ 238,525,405	$ 87,982
Federal sources	10,569,667	11,339,664	11,562,572	222,908
Other State sources	28,545,053	28,020,733	38,131,201	10,110,468
Other local sources	9,222,499	10,969,972	10,399,554	(570,418)
Total Revenues	285,469,893	288,767,792	298,618,732	9,850,940
EXPENDITURES				
Current				
Certificated salaries	123,116,207	125,077,773	127,676,744	(2,598,971)
Classified salaries	31,610,433	31,624,200	31,708,815	(84,615)
Employee benefits	81,978,724	79,678,294	89,312,583	(9,634,289)
Books and supplies	7,852,552	9,176,986	7,347,687	1,829,299
Services and operating expenditures	32,642,686	34,705,261	30,405,233	4,300,028
Other outgo	9,461,553	10,822,464	9,745,041	1,077,423
Capital outlay	1,994,394	307,631	791,250	(483,619)
Debt service - principal	765,649	765,649	765,649	-
Debt service - interest	1,550,671	1,550,671	1,550,671	-
Total Expenditures	290,972,869	293,708,929	299,303,673	(5,594,744)
Excess of Expenditures Over Revenues	(5,502,976)	(4,941,137)	(684,941)	4,256,196
Other Financing Uses				
Transfers in	-	-	8,590,792	8,590,792
Transfers out	(1,803,708)	(3,422,647)	(2,779,147)	643,500
Net Financing Uses	(1,803,708)	(3,422,647)	5,811,645	9,234,292
NET DECREASE IN FUND BALANCE	(7,306,684)	(8,363,784)	5,126,704	13,490,488
Fund Balance - Beginning	35,129,520	35,129,520	35,129,520	-
Fund Balance - Ending	$ 27,822,836	$ 26,765,736	$ 40,256,224	$ 13,490,488

See accompanying note to required supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2019

Measurement Date, as of June 30,	2019	2018
Total OPEB Liability		
Service cost	$ 2,197,246	$ 2,377,401
Interest	2,259,566	2,065,888
Changes of assumptions	(677,554)	(4,253,271)
Differences between actual and expected experience	(14,038,060)	-
Benefit payments	(4,311,762)	(4,429,331)
Net change in total OPEB liability	(14,570,564)	(4,239,313)
Total OPEB liability - beginning	61,152,370	65,391,683
Total OPEB liability - ending (a)	$ 46,581,806	$ 61,152,370
Plan Fiduciary Net Position		
Employers contribution	$ 2,649,475	$ 690,995
Net investment income	1,829,471	2,580,729
Administrative expense	(23,095)	-
Benefit payments	(4,311,762)	(4,429,331)
Net change in fiduciary net position	144,089	(1,157,607)
Fiduciary net position - beginning	22,912,696	24,070,303
Fiduciary net position - ending (b)	$ 23,056,785	$ 22,912,696
Net OPEB liability - ending (a) - (b)	$ 23,525,021	$ 38,239,674
Plan fiduciary net position as a percentage	49.50%	37.47%
Covered-employee payroll	$ 164,715,470	$ 164,083,302
District's net OPEB liability as a percentage of covered-employee payroll	14.28%	23.31%

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

See accompanying note to required supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

Year ended June 30,	2019	2018
Actuarially determined contribution	$ 3,099,923	$ 2,649,475
Contribution in relation to the actuarially determined contribution	(3,099,923)	(2,649,475)
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 170,544,906	$ 164,715,470
Contributions as a percentage of covered-employee payroll	1.8%	1.6%

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

See accompanying note to required supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2019

Year ended June 30,[1]	2019	2018
District's proportion of the net OPEB liability	0.4015%	0.41290%
District's proportionate share of the net OPEB liability	$ 1,536,867	$ 1,736,987
District's covered-employee payroll	N/A[2]	N/A[2]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[2]	N/A[2]
Measurement date	6/30/2018	6/30/2017

[1] In the future, as data becomes available, ten years of information will be presented.

[2] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

See accompanying note to required supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

MEASUREMENT DATE	June 30, 2018	June 30, 2017
CalSTRS		
District's proportion of the net pension liability	0.22370%	0.22804%
District's proportionate share of the net pension liability	$ 205,593,282	$ 210,892,070
State's proportionate share of the net pension liability associated with the District	117,711,769	124,761,967
Total	$ 323,305,051	$ 335,654,037
District's covered - payroll	$ 121,736,601	$ 122,579,597
District's proportionate share of the net pension liability as a percentage of its covered - payroll	168.88%	172.05%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%
CalPERS		
District's proportion of the net pension liability	0.26808%	0.28384%
District's proportionate share of the net pension liability	$ 71,477,427	$ 67,760,813
District's covered - payroll	$ 35,436,556	$ 34,903,036
District's proportionate share of the net pension liability as a percentage of its covered - payroll	201.71%	194.14%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%

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

See accompanying note to required supplementary information.

June 30, 2016	June 30, 2015	June 30, 2014
0.22075%	0.25993%	0.23020%
$ 178,546,485	$ 174,993,327	$ 134,521,149
101,643,329	92,552,179	81,229,677
$ 280,189,814	$ 267,545,506	$ 215,750,826
$ 119,337,685	$ 111,165,728	$ 102,842,026
149.61%	157.42%	130.80%
70%	74%	77%
0.28983%	0.28613%	0.26448%
$ 57,240,552	$ 42,175,303	$ 30,024,754
$ 33,120,771	$ 29,702,119	$ 27,540,541
172.82%	141.99%	109.02%
74%	79%	83%

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

FISCAL YEAR ENDED	June 30, 2019	June 30, 2018
CalSTRS		
Contractually required contribution	$ 20,097,021	$ 17,926,108
Contributions in relation to the contractually required contribution	(20,097,021)	(17,926,108)
Contribution deficiency (excess)	$ -	$ -
District's covered - payroll	$ 123,407,896	$ 121,736,601
Contributions as a percentage of covered - payroll	16.29%	14.73%
CalPERS		
Contractually required contribution	$ 6,788,525	$ 5,120,582
Contributions in relation to the contractually required contribution	(6,788,525)	(5,120,582)
Contribution deficiency (excess)	$ -	$ -
District's covered - payroll	$ 36,626,980	$ 35,436,556
Contributions as a percentage of covered - payroll	18.53%	14.45%

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

See accompanying note to required supplementary information.

June 30, 2017		June 30, 2016		June 30, 2015	
$	15,418,734	$	12,804,206	$	9,869,073
	(15,418,734)		(12,804,206)		(9,869,073)
$	-	$	-	$	-
$	122,579,597	$	119,337,685	$	111,165,728
	12.58%		10.73%		8.88%
$	5,177,134	$	3,814,940	$	3,496,235
	(5,177,134)		(3,814,940)		(3,496,235)
$	-	$	-	$	-
$	34,903,036	$	33,120,771	$	29,702,119
	14.83%		11.52%		11.77%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The Governing Board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

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

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

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

Changes in Benefit Terms – No change in the current year.

Changes of Assumptions – Inflation rate change from 3% at June 30, 2017 to 2.75% at June 30, 2018; Discount rate change from 3.83% at June 30, 2017 to 3.99% at June 30, 2018; Healthcare cost trend rate change from 6.5% -5.5% at June 30, 2017 to 6.0%-5.5% at June 30, 2018.

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

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

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

Changes of Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District's Pension Contributions

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

SUPPLEMENTARY INFORMATION

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed-Through California Department of Education (CDE):			
Migrant Education State Grant Program	84.011		
Regular Program		14326	$ 120,419
Summer Program		10005	93,748
Subtotal			214,167
English Language Acquisition State Grants	84.365		
Title III, Limited English Proficiency		14346	297,659
Title III, Immigrant Education Program		15146	50,624
Subtotal			348,283
Special Education Cluster:			
Special Education Grants to States:	84.027		
Basic Local Assistance Entitlement		13379	3,979,701
Private Schools		10115	5,150
Mental Health Allocation Plan		14468	469,799
Total Special Education Cluster			4,454,650
Adult Education - Basic Grants to States:	84.002		
Adult Secondary Education		13978	245,300
Adult Basic Education and English as Second Language		14508	544,347
Subtotal			789,647
Title I Grants to Local Educational Agencies	84.010	14329	4,133,645
Supporting Effective Instruction State Grants	84.367	14341	593,302
Student Support and Academic Enrichment Program	84.424	15396	2,209
Race to the Top, Early Learning Challenge	84.412	15181	108,222
Career and Technical Education-Basic Grants to States	84.048	14894	590,500
Vocational Rehabilitation Grants to States	84.126	10006	394,949
Total U.S. Department of Education			11,629,574

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, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed-Through California Department of Education:			
Medicaid Cluster:			
Medical Assistance Program	93.778	10013	172,515
Total Medicaid Cluster			172,515
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	15136	202,776
Total Child Care and Development Fund Cluster			202,776
Total U.S. Department of Health and Human Services			375,291
U.S. DEPARTMENT OF AGRICULTURE			
Passed-Through California Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	13390	1,038,482
National School Lunch Program	10.555	13523	2,573,353
Special Milk Program for Children	10.556	13568	18,012
National School Lunch Program (Commodity)[2]	10.555	13534	260,935
Total Child Nutrition Cluster			3,890,782
Child and Adult Care Food Program	10.558	13393	281,186
Total U.S. Department of Agriculture			4,171,968
U.S. DEPARTMENT OF DEFENSE			
Direct Grants:			
ROTC Language and Culture Training Grants	12.357	[1]	658,352
Total U.S. Department of Defense			658,352
Total Expenditures of Federal Awards			$16,835,185

[1] These grants are direct grants. Pass-Through entity identifying numbers is not applicable.

[2] Not recorded in the financial statements.

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019

ORGANIZATION

The East Side Union High School District was organized in 1949 under the laws of the State of California. The District operates under a locally-elected five-member Governing Board form of government and provides educational services to grades 9-12 as mandated by the State and/or Federal agencies. The District operates 11 high schools, 3 adult education sites, 1 independent study program, 4 continuation schools, 5 child care centers and 1 alternative school. There were no boundary changes during the year.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Pattie Cortese	President	2020
Lan Nguyen	Vice President	2020
Van T. Le	Clerk	2022
J. Manuel Herrera	Member	2022
Lorena Chavez	Member	2022

ADMINISTRATION

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

See accompanying note to supplementary information.

SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2019

	Final Report	
	Second Period Report	Annual Report
9th Through 12th		
Regular ADA	21,348.69	21,234.62
Extended Year Special Education	41.01	41.01
Special Education, Nonpublic, Nonsectarian Schools	44.77	48.96
Extended Year Special Education, Nonpublic, Nonsectarian Schools	5.51	5.51
Total ADA	21,439.98	21,330.10

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019

	1986-87	2018-19	Number of Days		
Grade Level	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	Status
Grade 9	64,800	64,875	180	N/A	Complied
Grade 10	64,800	64,875	180	N/A	Complied
Grade 11	64,800	64,875	180	N/A	Complied
Grade 12	64,800	64,875	180	N/A	Complied

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

	General Fund	Internal Service Fund
FUND BALANCE		
Balance, June 30, 2019, Unaudited Actuals	$ 40,256,224	$ 10,924,936
Increase in claims liabilities	-	(1,009,000)
Balance, June 30, 2019, Audited Financial Statements	$ 40,256,224	$ 9,915,936

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted 2020 [1]	Actual 2019	Actual 2018	Actual 2017
GENERAL FUND [3]				
Revenues	$ 281,508,800	$ 298,618,732	$ 272,175,509	$ 258,766,902
Other sources and transfers in	115,000	8,590,792	499,536	9,824,898
Total Revenues and Other Sources	281,623,800	307,209,524	272,675,045	268,591,800
Expenditures	298,765,260	299,303,673	275,405,364	271,558,804
Other uses and transfers out	975,937	2,779,147	1,794,094	1,486,395
Total Expenditures and Other Uses	299,741,197	302,082,820	277,199,458	273,045,199
Changes in Fund Balance	$ (18,117,397)	$ 5,126,704	$ (4,524,413)	$ (4,453,399)
Ending Fund Balance	$ 22,138,827	$ 40,256,224	$ 35,129,520	$ 39,653,933
Available Reserves [2]	$ 17,595,544	$ 35,712,941	$ 38,713,656	$ 43,074,701
Available Reserves as a percentage of total Outgo	6%	11.82%	13.97%	15.78%
Long-Term Obligations	$ 1,281,247,148	$ 1,344,176,674	$ 1,270,619,605	$ 1,207,976,848
Average Daily Attendance At P-2	21,042	21,440	22,081	22,055

The General Fund balance has increased by $602,291 over the past two years. The fiscal year 2019-20 budget projects a decrease of $18,117,397. For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo). The District has adopted a policy to reserve at least three percent.

The District has incurred operating surpluses in two of the past three years, and anticipates operating deficit during the 2019-20 fiscal year. Total long-term obligations have increased by $136,199,826 over the past two years. The increase in long-term obligations is mainly due to the $140 million, and $20 million new general obligation bond issuance during 2018-19, and 2017-18.

Average daily attendance has decreased by 615 over the past two years. A decrease of 398 ADA is anticipated during fiscal year 2019-20.

[1] Adopted Budget 2020 is included for analytical purposes only and has not been subjected to an audit.

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

[3] General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Other Than Capital Outlay Projects.

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2019

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

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Adult Education Fund	Child Development Fund
ASSETS		
Deposits and investments	$ 625,821	$ 985,443
Receivables	1,000,135	702
Total Assets	$ 1,625,956	$ 986,145
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$ 357,112	$ 189,287
Due to other funds	550,000	716,793
Unearned revenue	-	80,065
Total Liabilities	907,112	986,145
Fund Balances:		
Restricted	592,571	-
Committed	126,273	-
Total Fund Balances	718,844	-
Total Liabilities and Fund Balances	$ 1,625,956	$ 986,145

See accompanying note to supplementary information.

Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
$ 1,743	$ 12,047,937	$ (84,477)	$ (698)	$ 13,575,769
24,071	65,988	95,901	698	1,187,495
$ 25,814	$ 12,113,925	$ 11,424	$ -	$ 14,763,264
$ 5,814	$ 31,027	$ 11,424	$ -	$ 594,664
20,000	-	-	-	1,286,793
-	-	-	-	80,065
25,814	31,027	11,424	-	1,961,522
-	12,082,898	-	-	12,675,469
-	-	-	-	126,273
-	12,082,898	-	-	12,801,742
$ 25,814	$ 12,113,925	$ 11,424	$ -	$ 14,763,264

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, 2019

	Adult Education Fund	Child Development Fund
REVENUES		
Federal sources	$ 789,647	$ 310,998
Other State sources	7,609,239	1,188,893
Other local sources	82,305	26,358
Total Revenues	8,481,191	1,526,249
EXPENDITURES		
Current		
Instruction	4,054,801	2,377,815
Instruction-related activities:		
Supervision of instruction	751,708	16,982
Instructional library and technology	52,952	-
School site administration	2,576,729	203,575
Pupil services:		
All other pupil services	277,180	29,301
Administration:		
All other administration	295,138	-
Maintenance and operations	379,624	55,020
Facility acquisition and construction	-	-
Total Expenditures	8,388,132	2,682,693
Excess (Deficiency) of Revenues Over Expenditures	93,059	(1,156,444)
Other Financing Sources		
Transfers in	-	1,156,444
Transfers out	-	-
Net Financing Sources	-	1,156,444
NET CHANGE IN FUND BALANCES	93,059	-
Fund Balance - Beginning	625,785	-
Fund Balance - Ending	$ 718,844	$ -

See accompanying note to supplementary information.

Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ -	$ 1,100,645
-	-	914,260	2,729,003	12,441,395
327	2,615,273	354,976	133,707	3,212,946
327	2,615,273	1,269,236	2,862,710	16,754,986
-	-	-	-	6,432,616
-	-	-	-	768,690
-	-	-	-	52,952
-	-	-	-	2,780,304
-	-	-	-	306,481
-	-	-	-	295,138
5,814	54,303	-	-	494,761
-	166,717	1,240,146	2,729,003	4,135,866
5,814	221,020	1,240,146	2,729,003	15,266,808
(5,487)	2,394,253	29,090	133,707	1,488,178
-	-	-	-	1,156,444
-	-	(17,262,998)	(135,312)	(17,398,310)
-	-	(17,262,998)	(135,312)	(16,241,866)
(5,487)	2,394,253	(17,233,908)	(1,605)	(14,753,688)
5,487	9,688,645	17,233,908	1,605	27,555,430
$ -	$ 12,082,898	$ -	$ -	$ 12,801,742

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards (SEFA)

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

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

Description	CFDA Number	Amount
Total Federal revenues reported on Governmental Funds Statements		$ 12,663,217
Total Federal revenues reported on Enterprise Fund Statement		3,911,033
Commodities not recorded on the financial statements	10.555	260,935
Total Schedule of Expenditures of Federal Awards		$ 16,835,185

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This 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 the 1986-87 requirement, as required by *California Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying three past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

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

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

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INDEPENDENT AUDITOR'S REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Side Union High School District (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2019.

Internal Control over Financial Reporting

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

Eide Bailly LLP

Palo Alto, California
December 15, 2019

CPAs & BUSINESS ADVISORS

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

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

Report on Compliance for Each Major Federal Program

We have audited East Side Union High School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2019. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, the 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, 2019.

Report on Internal Control over Compliance

Management of the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Eide Bailly LLP

Palo Alto, California
December 15, 2019

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited East Side Union High School District's (District) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the 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 *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

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

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

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

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

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

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

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

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

The District does not offer a District of Choice Program; therefore, we did not perform any procedures for the District of Choice Program.

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

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

Eide Bailly LLP

Palo Alto, California
December 15, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EAST SIDE UNION HIGH SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified?	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

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

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.027A	Special Education Cluster
12.357	Junior Reserve Officer Training Corp (JROTC)

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

STATE AWARDS

Type of auditor's report issued on compliance for all applicable programs	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

EAST SIDE UNION HIGH SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

EAST SIDE UNION HIGH SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

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