



Financial Statements
June 30, 2020

East Side Union High School District

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Side Union High School District (District) as of and for the year ended June 30, 2020, 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 *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, 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 4 through 11 and the Budgetary Comparison Schedule – General Fund, Schedule of the Changes in the Net Other Postemployment Benefits Liability (OPEB) and Related Ratios, Schedule of Contributions for OPEB, the Schedule of the Proportionate Share of Net Pension Liability and Schedule of Contributions for Pensions on pages 72 through 77, 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 listed in the table of contents, 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 January 19, 2021, 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.



Menlo Park, California
January 19, 2021



Preparing every student to thrive in a global society.

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

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, 2020. 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 decreased by \$29.6 million with most of that increase reported in our capital projects funds. The increase was due to the issuance of bonds in the amount of \$140 million some of which was used for capital projects at various school sites.
- Capital assets increased by \$13.1 which is comprised of \$44.8 million in capital asset additions which was offset by depreciation of \$31.7 million and other disposals of capital assets.
- The District's long-term debt other than pension and other postemployment benefit (OPEB) liabilities decreased by \$34.8 million mainly due to the issuance of direct placement and refunding of general obligation bonds which was offset by principal payments for \$83.1 million which include the refunded debt. 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 increased by \$9.9 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 decreased by \$4.5 million mainly due to decrease Senate Bill 90 contributions made by the State on behalf of the District to CalPERS and CalSTRS.
- The District's instructional related expenses decreased by \$10.1 million mainly due to the pandemic with the implementation of shelter in place and distance learning.
- The District's Average Daily Attendance (ADA) increased by 26 units even though the District has declining enrollment of students at various District school sites.
- The District's state aid increased by \$4.1 million due to increases related to Cost of Living Adjustments and other State authorized increases within the Local Control Funding Formula (LCFF).

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East Side Union High School District Board of Trustees

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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 14-17 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 19-21 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 22-23 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 24-71 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 72-77 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 88-89 of this report.

Government-wide Overall Financial Analysis

Net Position

The District reported a deficit net position of \$98.5 million and \$130.9 million deficit for the fiscal years ended June 30, 2020 and 2019, 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	
	2020	2019	2020	2019
Current and other assets	\$ 450,030,339	\$ 469,414,831	\$ 80,403	\$ 33,725
Capital assets	767,394,952	754,310,415	-	-
Total Assets	1,217,425,291	1,223,725,246	80,403	33,725
Deferred charge on refunding	1,538,106	4,741,515	-	-
Deferred outflows from pension and OPEB	93,491,503	86,746,065	2,514,938	1,613,351
Total Deferred Outflows	95,029,609	91,487,580	2,514,938	1,613,351
Current liabilities	45,285,722	51,274,802	51,354	33,725
Long-term obligations	1,007,243,441	1,042,044,077	-	-
Net other post-employment benefit liability	31,701,810	24,631,938	550,109	429,950
Aggregate net pension liability	273,602,527	271,313,833	6,176,695	5,756,876
Total Liabilities	1,357,833,500	1,389,264,650	6,778,158	6,220,551
Deferred inflows from pension and OPEB	47,302,872	51,675,121	1,627,814	567,640
Total Deferred Inflows	47,302,872	51,675,121	1,627,814	567,640
Net position				
Net investment in capital assets	84,409,639	34,580,121	-	-
Restricted	73,773,118	95,132,195	-	-
Unrestricted	(250,864,229)	(255,439,261)	(5,810,631)	(5,141,115)
Total Net Position	\$ (92,681,472)	\$ (125,726,945)	\$ (5,810,631)	\$ (5,141,115)

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	
	2020	2019	2020	2019
Revenues				
Program revenues				
Charges for services	\$ 241,324	\$ 57,743	\$ 884,594	\$ 1,148,739
Operating grants and contributions	48,263,176	52,621,906	4,275,936	4,388,436
Capital grants and contributions	32,478	1,269,232	-	-
General revenues				
State and federal sources	108,271,377	104,140,750	-	-
Taxes	230,097,394	235,515,312	-	-
Other general revenues	26,414,794	18,401,185	1,919,890	1,526,961
Total Revenues	413,320,543	412,006,128	7,080,420	7,064,136
Expenses				
Instruction related	240,113,820	250,208,991	-	-
Student support services	46,823,457	45,259,404	-	-
Administration	18,625,476	17,654,229	-	-
Maintenance and operations	25,457,221	29,603,424	-	-
Other outgo	9,453,027	10,456,710	-	-
Food services	-	-	7,749,936	7,447,527
Interest and other	39,802,069	42,822,886	-	-
Total Expenses	380,275,070	396,005,644	7,749,936	7,447,527
Change in Net Position	\$ 33,045,473	\$ 16,000,484	\$ (669,516)	\$ (383,391)

Governmental Activities

As reported in the Statement of Activities in the financial statements, the cost of all of our governmental activities this year was \$380.3 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$230.1 million because the cost was paid by those who benefited from the programs \$0.24 million or by other governments and organizations who subsidized certain programs with operating and capital grants and contributions \$48.3 million. We paid for the remaining public benefit portion of our governmental activities with \$108.3 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

	<u>2020</u>	<u>2019</u>
Instruction and related activities	\$ 200,986,658	\$ 205,284,748
Pupil services	40,191,529	39,611,664
General administration	16,985,091	16,122,572
Maintenance and operations	25,056,814	28,683,414
Interest	36,350,645	39,660,228
Other	12,167,355	12,694,137
Totals	<u>\$ 331,738,092</u>	<u>\$ 342,056,763</u>

The District’s Funds

As the District completed this year, our governmental funds reported a combined fund balance of \$414.6 million, which was a decrease of \$11.1 million from last year. The General fund reported an increase in fund balance of \$3.1 million. The Building fund reported a decrease in fund balance of \$9.5 million mainly due to construction activities. The Bond Interest and Redemption fund reported a decrease in fund balance for \$4.9 million due to payments on debt. All other funds reported a combined increase in fund balance for \$.2 million.

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 2020. (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 \$9,572 and supplemental per ADA is \$995 with 52% 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 30 from 2018-19 of 22,606 to 22,576 in 2019-20. Second period average daily attendance (commonly known as P-2 ADA) increased by 26 from 2018-19 of 21,458 to 21,484 in 2019-20.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2020, the District governmental activities had \$767.4 million in a broad range of capital assets. This amount represents a net increase (including additions, deductions and depreciation) of \$13.1 million, or 1.7%, from last year.

Table 4

	Governmental Activities	
	2020	2019
Land	\$ 25,442,454	\$ 25,442,454
Construction in progress	49,616,295	38,229,440
Buildings and improvements	984,214,846	951,556,101
Furniture and equipment	40,493,680	39,750,545
Total Assets	1,099,767,275	1,054,978,540
Less Accumulated Depreciation	332,372,323	300,668,125
Totals	\$ 767,394,952	\$ 754,310,415

This year's major capital asset additions include Santa Teresa Track & Field Improvements and the installation of new Synthetic Turf Fields at multiple sites, along with upgrades to the fences, pavements and landscapes to the surrounding areas.

The Building fund reported the fund balance of \$277.3 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, 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.

Additional information about the District's capital assets can be found on page 44.

Long-Term Obligations

Table 5

	Governmental Activities	
	2020	2019
General obligation bonds	\$ 918,586,832	\$ 949,044,183
Premium	58,294,732	61,910,392
OPEB revenue bonds	27,475,000	28,205,000
Capital lease	238,632	333,423
Compensated absences (vacation)	2,648,245	2,551,079
Totals	\$ 1,007,243,441	\$ 1,042,044,077

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 \$918.6 million is below the statutorily imposed limit. Additional information about the District's debt can be found on page 47.

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 \$279.8 million in net pension liabilities related to CalPERS and CalSTRS. In addition, the District reports a net OPEB liability of \$32.3 million which are funded by the District's annual contributions to the OPEB Trust.

Economic Factors and Next Year's Budget 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 2019-20 with the unduplicated count percentage at 52%. The District student enrollment is projected to decrease by 86 for 2020-21, and anticipates a continuous decline in 2021-22. The projected 2020-21 and 2021-22 CBEDS enrollment is 22,490 and 22,265, respectively.

The District projects to receive another one time discretionary grant in lieu of the Mandated Cost Reimbursement of \$1.3 million in 2020-21.

In 2020-21 the District will receive \$16.8 million in one-time Federal COVID-19 funds from the CARES ACT.

In 2019-20, the District accepted and enrolled 12 international students in the International Student Program. In 2020-21, the District has accepted and enrolled 3 students for this program.

Contacting the District's Financial Management

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

East Side Union High School District

Statement of Net Position

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Deposits and investments	\$ 418,913,842	\$ 2,560,620	\$ 421,474,462
Receivables	25,181,039	1,045,406	26,226,445
Internal balances	3,707,466	(3,707,466)	-
Prepaid items	2,020,816	-	2,020,816
Stores inventories	207,176	181,843	389,019
Capital assets not depreciated	75,058,749	-	75,058,749
Capital assets, net of accumulated depreciation	692,336,203	-	692,336,203
Total assets	1,217,425,291	80,403	1,217,505,694
Deferred Outflows of Resources			
Deferred charge on refunding	1,538,106	-	1,538,106
Deferred outflows of resources related to OPEB	4,717,636	86,034	4,803,670
Deferred outflows of resources related to pensions	88,773,867	2,428,904	91,202,771
Total deferred outflows of resources	95,029,609	2,514,938	97,544,547
Liabilities			
Accounts payable	23,652,590	51,354	23,703,944
Interest payable	16,163,428	-	16,163,428
Unearned revenue	4,551,704	-	4,551,704
Long-term obligations other than OPEB and pensions:			
Claims liabilities due within one year	918,000	-	918,000
Current portion of long-term obligations	70,557,905	-	70,557,905
Noncurrent portion of long-term obligations	936,685,536	-	936,685,536
Net other post-employment benefits liability	31,701,810	550,109	32,251,919
Aggregate net pension liability	273,602,527	6,176,695	279,779,222
Total liabilities	1,357,833,500	6,778,158	1,364,611,658
Deferred Inflows of Resources			
Deferred inflows of resources related to OPEB	17,200,337	313,677	17,514,014
Deferred inflows of resources related to pensions	30,102,535	1,314,137	31,416,672
Total deferred inflows of resources	47,302,872	1,627,814	48,930,686
Net Position			
Net investment in capital assets	84,409,639	-	84,409,639
Restricted for:			
Debt service	49,491,704	-	49,491,704
Capital projects	12,238,954	-	12,238,954
Educational programs	5,712,001	-	5,712,001
Self insurance	6,330,459	-	6,330,459
Unrestricted net position (deficit)	(250,864,229)	(5,810,631)	(256,674,860)
Total Net Position	\$ (92,681,472)	\$ (5,810,631)	\$ (98,492,103)

East Side Union High School District
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Change in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction	\$ 200,252,925	\$ 68,748	\$ 27,062,873	\$ 32,478	\$ (173,088,826)	\$ -	\$ (173,088,826)
Instruction-related activities:							
Supervision of instruction	17,757,032	87,446	7,984,441	-	(9,685,145)	-	(9,685,145)
Instructional library and technology	1,921,516	-	130,830	-	(1,790,686)	-	(1,790,686)
School site administration	20,182,347	3,798	3,756,548	-	(16,422,001)	-	(16,422,001)
Pupil services:							
Home-to-school transportation	7,682,457	-	-	-	(7,682,457)	-	(7,682,457)
All other pupil services	39,141,000	66,186	6,565,742	-	(32,509,072)	-	(32,509,072)
Administration:							
Data processing	4,264,051	-	-	-	(4,264,051)	-	(4,264,051)
All other administration	14,361,425	7,031	1,633,354	-	(12,721,040)	-	(12,721,040)
Maintenance and operations	25,457,221	2,945	397,462	-	(25,056,814)	-	(25,056,814)
Ancillary services	3,431,049	437	127,478	-	(3,303,134)	-	(3,303,134)
Community services	20,375	1,479	29,972	-	11,076	-	11,076
Interest on long-term obligations	36,350,645	-	-	-	(36,350,645)	-	(36,350,645)
Other outgo	9,453,027	3,254	574,476	-	(8,875,297)	-	(8,875,297)
Total Governmental Activities	380,275,070	241,324	48,263,176	32,478	(331,738,092)	-	(331,738,092)
Business-Type Activities:							
Food services	7,749,936	884,594	4,275,936	-	-	(2,589,406)	(2,589,406)
Total Business-Type Activities	7,749,936	884,594	4,275,936	-	-	(2,589,406)	(2,589,406)
Total Primary Government	\$ 388,025,006	\$ 1,125,918	\$ 52,539,112	\$ 32,478	(331,738,092)	(2,589,406)	(334,327,498)
General Revenues and Subventions:							
Property taxes, levied for general purposes					135,833,390	-	135,833,390
Property taxes, levied for debt service					90,627,186	-	90,627,186
Taxes levied for other specific purposes					3,636,818	-	3,636,818
Federal and State aid not restricted to specific purposes					108,271,377	-	108,271,377
Interest and investment earnings					7,016,638	32,090	7,048,728
Interagency revenues					126,128	-	126,128
Miscellaneous					21,159,828	-	21,159,828
Transfers					(1,887,800)	1,887,800	-
Total general revenues and transfers					364,783,565	1,919,890	366,703,455
Change in Net Position					33,045,473	(669,516)	32,375,957
Net Position, Beginning of Year					(125,726,945)	(5,141,115)	(130,868,060)
Net Position, End of Year					\$ (92,681,472)	\$ (5,810,631)	\$ (98,492,103)

East Side Union High School District
Balance Sheet – Governmental Funds
June 30, 2020

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 36,558,239	\$ 279,523,577	\$ 80,749,388	\$ 15,933,698	\$ 412,764,902
Receivables	22,176,565	1,059,205	184,025	1,756,712	25,176,507
Due from other funds	5,974,259	-	-	-	5,974,259
Prepaid items	714,271	45,456	-	99,728	859,455
Stores inventories	207,176	-	-	-	207,176
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 65,630,510</u>	<u>\$ 280,628,238</u>	<u>\$ 80,933,413</u>	<u>\$ 17,790,138</u>	<u>\$ 444,982,299</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 18,908,745	\$ 3,309,742	\$ -	\$ 1,367,729	\$ 23,586,216
Due to other funds	-	-	-	2,266,793	2,266,793
Unearned revenue	3,396,997	-	-	1,154,707	4,551,704
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>22,305,742</u>	<u>3,309,742</u>	<u>-</u>	<u>4,789,229</u>	<u>30,404,713</u>
Fund Balances					
Nonspendable	923,947	45,456	-	99,728	1,069,131
Restricted	5,167,273	277,273,040	80,933,413	12,783,682	376,157,408
Committed	-	-	-	117,499	117,499
Unassigned	37,233,548	-	-	-	37,233,548
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>43,324,768</u>	<u>277,318,496</u>	<u>80,933,413</u>	<u>13,000,909</u>	<u>414,577,586</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 65,630,510</u>	<u>\$ 280,628,238</u>	<u>\$ 80,933,413</u>	<u>\$ 17,790,138</u>	<u>\$ 444,982,299</u>

East Side Union High School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental funds		\$ 414,577,586
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds.		
Governmental capital assets	\$1,099,767,275	
Less accumulated depreciation	<u>(332,372,323)</u>	767,394,952
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.		
		1,538,106
Deferred inflows and outflows related to pension liability are not due in the current period and therefore are not reported on the governmental funds.		
		58,671,332
Deferred inflows and outflows related to OPEB liability are not due in the current period and therefore are not reported on the governmental funds.		
		(12,482,701)
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.		
		(16,163,428)
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.		
		6,330,459
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.		
General obligation bonds	(918,586,832)	
Bond premiums	(58,294,732)	
OPEB bonds	(27,475,000)	
Capital leases payable	(238,632)	
Compensated absences (vacation)	(2,648,245)	
Net OPEB liability	(31,701,810)	
Net pension liability	<u>(273,602,527)</u>	<u>(1,312,547,778)</u>
Net position of governmental activities		<u>\$ (92,681,472)</u>

East Side Union High School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2020

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local control funding formula	\$ 239,046,298	\$ -	\$ -	\$ -	\$ 239,046,298
Federal sources	11,789,779	-	-	1,118,948	12,908,727
Other State sources	25,428,351	19,585	467,038	9,292,734	35,207,708
Other local sources	14,761,464	8,627,486	68,302,562	813,197	92,504,709
Total revenues	291,025,892	8,647,071	68,769,600	11,224,879	379,667,442
Expenditures					
Current					
Instruction	164,869,707	-	-	4,306,047	169,175,754
Instruction-related activities:					
Supervision of instruction	15,027,103	-	-	546,505	15,573,608
Instructional library and technology	1,101,192	-	-	51,820	14,486,119
School site administration	14,434,299	-	-	2,927,102	2,927,102
Pupil services:					
Home-to-school transportation	6,770,442	-	-	-	6,770,442
Food services	94,516	-	-	-	94,516
All other pupil services	31,604,098	-	-	1,818,589	33,422,687
Administration:					
Data processing	3,757,849	-	-	-	3,757,849
All other administration	12,024,035	-	-	359,166	12,383,201
Maintenance and operations	21,488,713	3,175,304	-	497,290	25,161,307
Ancillary services	2,951,637	-	-	-	2,951,637
Community services	17,956	-	-	-	17,956
Other outgo	9,453,027	-	-	-	9,453,027
Capital outlay	364	44,791,958	-	462,947	45,255,269
Debt service					
Principal	872,931	-	59,709,309	-	60,582,240
Interest and other	1,525,649	210,000	37,827,930	-	39,563,579
Total expenditures	285,993,518	48,177,262	97,537,239	10,969,466	442,677,485
Excess (Deficiency) of Revenues Over Expenditures	5,032,374	(39,530,191)	(28,767,639)	255,413	(63,010,043)
Other Financing Sources (Uses)					
Transfers in	23,970	32,498	-	-	56,468
Proceeds from new debt	-	30,000,000	23,865,763	222	53,865,985
Transfers out	(1,987,800)	-	-	(56,468)	(2,044,268)
Net Financing Sources (Uses)	(1,963,830)	30,032,498	23,865,763	(56,246)	51,878,185
Net Change in Fund Balances	3,068,544	(9,497,693)	(4,901,876)	199,167	(11,131,858)
Fund Balance, Beginning of Year	40,256,224	286,816,189	85,835,289	12,801,742	425,709,444
Fund Balance, End of Year	\$ 43,324,768	\$ 277,318,496	\$ 80,933,413	\$ 13,000,909	\$ 414,577,586

East Side Union High School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities
 Year Ended June 30, 2020

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ (11,131,858)

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	\$ 45,255,269	
Depreciation expense	<u>(32,095,934)</u>	13,159,335

Loss on disposal of capital assets is reported in the government-wide statement of net position, but is not recorded in the governmental funds. (74,798)

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. (51,090,000)

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term obligations in the statement of net position. (48,140)

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. (1,546,958)

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. (3,141,122)

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.

General obligation bonds	83,094,309	
OPEB bonds	730,000	
Capital leases	<u>142,931</u>	83,967,240

East Side Union High School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities, Continued
 Year Ended June 30, 2020

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.	1,321,923
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.	6,756,782
Amortization of bond defeasance cost is not recognized in the governmental funds. In the government-wide statements, it is amortized over the life of the related bond.	(3,684,172)
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 \$97,166	(97,166)
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.	5,565,343
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 OPEB liability during the year.	(3,806,222)
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.	<u>(3,585,477)</u>
Change in net position of governmental activities	<u><u>\$ 33,045,473</u></u>

East Side Union High School District
Statement of Net Position – Proprietary Funds
June 30, 2020

	Business-Type Activities- Cafeteria Enterprise Fund	Governmental Activities- Internal Service Fund
Assets		
Current Assets		
Deposits and investments	\$ 2,560,620	\$ 6,148,940
Receivables	1,045,406	4,532
Prepaid items	-	1,161,361
Stores inventories	181,843	-
Total assets	<u>3,787,869</u>	<u>7,314,833</u>
Deferred Outflows of Resources		
Deferred outflows of resources related to OPEB	86,034	-
Deferred outflows of resources related to pensions	2,428,904	-
Total deferred outflows of resources	<u>2,514,938</u>	<u>-</u>
Liabilities		
Current Liabilities		
Accounts payable	51,354	66,374
Due to other funds	3,707,466	-
Claims liability	-	918,000
Total current liabilities	<u>3,758,820</u>	<u>984,374</u>
Noncurrent Liabilities		
Net other post-employment benefits liability	550,109	-
Aggregate net pension liability	6,176,695	-
Total noncurrent liabilities	<u>6,726,804</u>	<u>-</u>
Total liabilities	<u>10,485,624</u>	<u>984,374</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to OPEB	313,677	-
Deferred inflows of resources related to pensions	1,314,137	-
Total deferred inflows of resources	<u>1,627,814</u>	<u>-</u>
Net Position		
Restricted for insurance programs	-	6,330,459
Unrestricted deficit	(5,810,631)	-
Total Net Position	<u>\$ (5,810,631)</u>	<u>\$ 6,330,459</u>

East Side Union High School District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2020

	Business-Type Activities- Cafeteria Enterprise Fund	Governmental Activities- Internal Service Fund
Operating Revenues		
Food sales	\$ 884,594	\$ -
Indistrict contributions	-	12,636,611
Total operating revenues	<u>884,594</u>	<u>12,636,611</u>
Operating Expenses		
Payroll costs	5,043,031	7,000,029
Supplies and materials	1,549,320	128,661
Equipment rental	4,641	689,603
Claims expense	-	9,079,516
Other operating expenses	1,152,944	150,094
Total operating expenses	<u>7,749,936</u>	<u>17,047,903</u>
Operating Loss	<u>(6,865,342)</u>	<u>(4,411,292)</u>
Nonoperating Revenues		
Interest income	32,090	725,815
Federal grants	3,995,358	-
State grants	280,578	-
Total nonoperating revenues	<u>4,308,026</u>	<u>725,815</u>
Transfers in	<u>1,887,800</u>	<u>100,000</u>
Change in Net Position	(669,516)	(3,585,477)
Total Net Position, Beginning of Year	<u>(5,141,115)</u>	<u>9,915,936</u>
Total Net Position, End of Year	<u>\$ (5,810,631)</u>	<u>\$ 6,330,459</u>

East Side Union High School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2020

	Business- Type Activities- Cafeteria Enterprise Fund	Governmental Activities- Internal Service Fund
Operating Activities		
Cash received from user charges	\$ 884,594	\$ -
Cash received from indistrict contributions	-	12,636,611
Cash payments for employee benefits	(4,344,466)	(7,000,029)
Cash payments for insurance claims	-	(9,948,234)
Cash payments to suppliers for goods and services	(1,563,414)	(101,365)
Cash payments for equipment rental	(4,641)	(689,603)
Cash payments for other operating expenses	(1,152,944)	(150,094)
Net Cash from (used for) Operating Activities	(6,180,871)	(5,252,714)
Non-capital Financing Activities		
Operating grants and contributions	3,845,118	-
Cash received from general fund	2,573,042	100,000
Net Cash from (used for) Non-capital Financing Activities	6,418,160	100,000
Investing Activities		
Interest income	32,090	765,477
Net Cash from (used for) Investing Activities	32,090	765,477
Net Change in Cash and Cash Equivalents	269,379	(4,387,237)
Cash and Cash Equivalents, Beginning of Year	2,291,241	10,536,177
Cash and Cash Equivalents, End of Year	\$ 2,560,620	\$ 6,148,940

East Side Union High School District
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2020

	<u>Student Scholarship Trust Fund</u>	<u>Associated Student Body Agency Fund</u>
Assets		
Deposits and investments	<u>\$ 623,539</u>	<u>\$ 2,245,919</u>
Total assets	<u>623,539</u>	<u>2,245,919</u>
Liabilities		
Accounts payable	<u>30,000</u>	<u>\$ -</u>
Total liabilities	<u>30,000</u>	<u>\$ 2,245,919</u>
Net Position		
Reserved for scholarships	<u>593,539</u>	
Total Net Position	<u>\$ 593,539</u>	

East Side Union High School District
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
June 30, 2020

	<u>Student Scholarship Trust Fund</u>
Additions	
Investment income	\$ 9,899
Total additions	<u>9,899</u>
Deductions	
Scholarships awarded	<u>39,220</u>
Total deductions	<u>39,220</u>
Change in Net Position	(29,321)
Net Position, Beginning of Year	<u>622,860</u>
Net Position, End of Year	<u><u>\$ 593,539</u></u>

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 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 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

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.

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.

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 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.

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.

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.

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 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).

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).

The *County School Facilities Fund* is established pursuant to *California Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D), 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.).

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 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 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 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 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

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 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.

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 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 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, except for property taxes, which are considered available if collected within 60 days. 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 revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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. Principal and interest on long-term liabilities, 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 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)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 consumed rather than when purchased.

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 acquisition 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, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. 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 in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

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 (OPEB) Other Than Pensions

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 additions to/deductions from the District Plan have been determined on the same basis as they are reported by the District Plan. For this purpose, the District Plan 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. The net OPEB liability attributable to the governmental activities will be paid by the fund in which the employee worked.

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. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Fund Balances - Governmental Funds

As of June 30, 2020, 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 deferred outflows of resources, liabilities and deferred inflows of resources. 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.

Interfund Activity

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

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

In January 2017, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and postponed the effective dates certain GASB Statements as discussed below.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019 due to the implementation of GASB Statements No. 95 previously discussed. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

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, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives 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.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 412,764,902
Proprietary funds	8,709,560
Fiduciary funds	2,869,458
	<u>\$ 424,343,920</u>

Deposits and investments as of June 30, 2020, consist of the following:

Cash on hand and in banks	\$ 2,241,625
Cash in revolving	2,500
Investments	422,099,795
	<u>\$ 424,343,920</u>

Policies and Practices

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

Investment in Santa Clara County Treasury (the County Treasurer)

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

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	\$ 620,673	0.00
Santa Clara County Investment Pool	421,193,770	1.42
Certificate of deposits	285,352	0.44
	\$ 422,099,795	

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, 2020.

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, 2020, the District bank balances of \$2,657,063 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.

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 County Treasury Investment Pool has a daily redemption frequency and a one-day redemption notice period.

The District's fair value measurements are as follows at June 30, 2020:

Investment Type	Fair Value Measurement		Fair Value
	Level 1	Uncategorized	
Mutual funds	\$ 620,673	\$ -	\$ 620,673
Santa Clara County Investment Pool	-	421,193,770	421,193,770
Certificates of deposits	-	285,352	285,352
	<u>\$ 620,673</u>	<u>\$ 421,479,122</u>	<u>\$ 422,099,795</u>

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

Note 4 - Receivables

Receivables at June 30, 2020, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds	Enterprise Fund	Internal Service Fund
Federal Government							
Categorical Aid	\$ 5,823,494	\$ -	\$ -	\$ 523,849	\$ 6,347,343	\$ 974,697	\$ -
State Government							
Apportionment	9,310,863	-	-	-	9,310,863	-	-
Categorical Aid	3,310,647	-	-	1,096,208	4,406,855	68,016	-
Lottery	1,114,788	-	-	-	1,114,788	-	-
Local Government							
Interest	228,728	1,059,103	184,025	53,771	1,525,627	-	-
Other Local	2,388,045	102	-	82,884	2,471,031	2,693	4,532
	<u>\$ 22,176,565</u>	<u>\$ 1,059,205</u>	<u>\$ 184,025</u>	<u>\$ 1,756,712</u>	<u>\$ 25,176,507</u>	<u>\$ 1,045,406</u>	<u>\$ 4,532</u>

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
Governmental activities				
Capital assets not being depreciated				
Land	\$ 25,442,454	\$ -	\$ -	\$ 25,442,454
Construction in progress	38,229,440	32,887,897	21,501,042	49,616,295
	<u>63,671,894</u>	<u>32,887,897</u>	<u>21,501,042</u>	<u>75,058,749</u>
Total capital assets, not being depreciated				
Capital assets being depreciated				
Buildings and building improvement	823,799,457	21,001,291	313,460	844,487,288
Site improvement	127,756,644	11,970,914	-	139,727,558
Furniture and equipment	39,750,545	896,209	153,074	40,493,680
	<u>991,306,646</u>	<u>33,868,414</u>	<u>466,534</u>	<u>1,024,708,526</u>
Total capital assets, being depreciated				
Less accumulated depreciation				
Buildings and building improvement	243,674,039	24,110,416	313,460	267,470,995
Site improvement	33,434,348	5,592,939	-	39,027,287
Furniture and equipment	23,559,738	2,392,579	78,276	25,874,041
	<u>300,668,125</u>	<u>32,095,934</u>	<u>391,736</u>	<u>332,372,323</u>
Total accumulated depreciation				
Governmental activities capital assets, net	<u>\$ 754,310,415</u>	<u>\$ 34,660,377</u>	<u>\$ 21,575,840</u>	<u>\$ 767,394,952</u>

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

Governmental Activities	
Instruction	\$ 20,679,836
Supervision of instruction	1,903,699
Instructional library and technology	140,943
School site administration	2,122,236
Home-to-school transportation	827,611
All other pupil services	4,085,548
Ancillary services	360,804
Community services	2,195
Data processing services	459,355
All other administration	1,513,707
	<u>32,095,934</u>
Total depreciation expenses - governmental activities	<u>\$ 32,095,934</u>

Note 6 - Interfund Transactions

Interfund Receivables/Payables (Due From/Due To)

Interfund receivable and payable balances at June 30, 2020, are as follows:

Due From	Due To General Fund
Nonmajor governmental funds	\$ 2,266,793
Enterprise fund	3,707,466
	\$ 5,974,259

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, 2020, consisted of the following:

Transfers Out	Transfers In				Total
	General Fund	Building Fund	Enterprise Fund	Internal Service Fund	
General fund	\$ -	\$ -	\$ 1,887,800	\$ 100,000	\$ 1,987,800
Nonmajor	23,970	32,498	-	-	56,468
	\$ 23,970	\$ 32,498	\$ 1,887,800	\$ 100,000	\$ 2,044,268

The General Fund transferred to Cafeteria Fund for contribution.	\$ 1,887,800
The General Fund transferred to Self Insurance Fund for contribution.	100,000
The County School Facility Fund transferred to Building Fund transferred for contribution.	32,478
The Special Reserve - Capital Outlay Fund transferred to the Building Fund for contribution.	20
The Adult Education Fund transferred to the General Fund for reimbursements.	23,970
	\$ 2,044,268

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 are 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 \$84,409,639 includes the effect of deferring the recognition of loss from advance refunding. The \$3,684,172 balance of the deferred charge on refunding at June 30, 2020 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, 2020 is as follows:

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
Deferred charge on refunding	\$ 4,741,515	\$ 480,763	\$ 3,684,172	\$ 1,538,106

Note 8 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	Governmental Funds			Total Governmental Funds	Enterprise Fund	Internal Service Fund
	General Fund	Building Fund	Non-Major Governmental Funds			
Vendor payables	\$ 4,411,393	\$ 3,309,742	\$ 1,367,729	\$ 9,088,864	\$ 51,354	\$ 66,374
State apportionment	3,227,781	-	-	3,227,781	-	-
Salaries and benefits	9,092,147	-	-	9,092,147	-	-
State in-lieu tax	2,177,424	-	-	2,177,424	-	-
	<u>\$18,908,745</u>	<u>\$ 3,309,742</u>	<u>\$ 1,367,729</u>	<u>\$23,586,216</u>	<u>\$ 51,354</u>	<u>\$ 66,374</u>

Note 9 - Unearned Revenue

Unearned revenue at June 30, 2020, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal financial assistance	\$ 851,672	\$ 31,997	\$ 883,669
State categorical aid	1,367,986	47,846	1,415,832
Other local	1,177,339	1,074,864	2,252,203
	<u>\$ 3,396,997</u>	<u>\$ 1,154,707</u>	<u>\$ 4,551,704</u>

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. 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, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
General obligation bonds	\$ 949,044,183	\$ 22,636,958	\$ 83,094,309	\$ 888,586,832	\$ 63,099,944
Private placement notes	-	30,000,000	-	30,000,000	-
Bond premium	61,910,392	3,141,122	6,756,782	58,294,732	5,968,808
OPEB bonds	28,205,000	-	730,000	27,475,000	815,000
Capital leases	333,423	48,140	142,931	238,632	103,896
Compensated absences	2,551,079	693,251	596,085	2,648,245	570,257
	<u>\$ 1,042,044,077</u>	<u>\$ 56,519,471</u>	<u>\$ 91,320,107</u>	<u>\$ 1,007,243,441</u>	<u>\$ 70,557,905</u>

Advance Refunding

In the current fiscal year, the District issued \$21,090,000 in general obligation bonds with interest rates ranging from 2.0% to 4.0%. The proceeds were used to advance refund \$23,385,000 of outstanding 2010 Refunding general obligation bonds which had interest rates ranging from 2.0% to 5.0%. The net proceeds of \$21,090,000 (including a \$3,141,122 premium and after payment of \$365,359 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, a portion of the 2010 Refunding general obligation bond are considered defeased and the liability for those bonds has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$480,763. This amount is reported as a deferred outflow of resources and amortized over the remaining life of the refunding debt, which had a shorter remaining life than the refunded debt. The advance refunding reduced its total debt service payments by \$1,254,175 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$686,979.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Title	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding June 30, 2019	Accreted/ Issued	Defeased/ Redeemed	Bonds Outstanding June 30, 2020
Current Interest Bonds							
2003 Refunding	2027	2.0%-5.3%	\$ 97,160,000	\$ 52,700,000	\$ -	\$ 3,370,000	\$ 49,330,000
2006 Refunding	2025	4.0%-5.25%	42,665,000	29,835,000	-	3,330,000	26,505,000
2007 Refunding	2020	4.0%-5.0%	11,545,000	1,005,000	-	1,005,000	-
2008 Series B	2040	3.0%-5.0%	100,000,000	2,320,000	-	2,320,000	-
2010 Refunding	2028	2.0%-5.0%	46,160,000	28,875,000	-	26,075,000	2,800,000
2008 Series C	2026	4.0%	20,026,088	10,556,017	-	1,374,309	9,181,708
2008 Series D	2043	2.0%-5.0%	100,000,000	96,250,000	-	1,550,000	94,700,000
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	6,860,000	-	2,680,000	4,180,000
2012 Refunding	2029	2.0%-5.0%	36,735,000	25,795,000	-	2,120,000	23,675,000
2013 Refunding	2030	3.0%-5.0%	88,145,000	84,685,000	-	765,000	83,920,000
2014 Refunding	2036	2.0%-5.0%	41,400,000	35,000,000	-	1,545,000	33,455,000
2012 Series A	2039	2.0%-5.0%	20,000,000	16,550,000	-	515,000	16,035,000
2012 Series B	2036	4.0%-5.0%	100,000,000	93,280,000	-	2,335,000	90,945,000
2015 Refunding	2035	3.0%-5.0%	41,420,000	40,075,000	-	1,300,000	38,775,000
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	52,135,000	-	21,160,000	30,975,000
2014 Series B	2022	2.0%-4.0%	20,000,000	20,000,000	-	6,700,000	13,300,000
2016 Series B	2036	3.0%-5.0%	140,000,000	140,000,000	-	-	140,000,000
2020 Refunding	2027	2.0%-4.0%	21,090,000	-	21,090,000	-	21,090,000
2014 Series C							
- Private Placement	2026	1.33%	30,000,000	-	30,000,000	-	30,000,000
				<u>912,716,017</u>	<u>51,090,000</u>	<u>78,144,309</u>	<u>885,661,708</u>
Capital Appreciation Bonds							
2002 Series E	2020	4.2%-5.1%	29,999,529	3,310,000	-	3,310,000	-
2002 Series G	2032	4.6%-6.9%	19,997,739	33,018,166	1,546,958	1,640,000	32,925,124
				<u>36,328,166</u>	<u>1,546,958</u>	<u>4,950,000</u>	<u>32,925,124</u>
Total General Obligation Bonds				<u>\$ 949,044,183</u>	<u>\$ 52,636,958</u>	<u>\$ 83,094,309</u>	<u>\$ 918,586,832</u>

Debt Service Requirements to Maturity

The bonds mature through 2043 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2021	\$ 63,099,944	\$ 38,031,894	\$ 101,131,838
2022	65,873,059	34,685,580	100,558,639
2023	46,459,868	32,274,523	78,734,391
2024	47,459,242	30,051,142	77,510,384
2026	63,812,663	27,720,024	91,532,687
2026-30	251,463,343	103,160,354	354,623,697
2031-35	202,295,432	58,629,454	260,924,886
2036-40	111,990,000	12,719,697	124,709,697
2041-43	20,855,000	1,440,113	22,295,113
	873,308,551	\$ 338,712,780	\$1,212,021,331
Accretion to date	15,278,281		
	\$ 888,586,832		

The private placement notes mature through 2026 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2021	\$ -	\$ 399,000	\$ 399,000
2022	2,910,000	382,874	3,292,874
2023	7,905,000	284,304	8,189,304
2024	7,675,000	178,913	7,853,913
2025	7,025,000	85,558	7,110,558
2026	4,485,000	4,971	4,489,971
	\$ 30,000,000	\$ 1,335,620	\$ 31,335,620

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:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Bonds Outstanding June 30, 2019</u>	<u>Redeemed</u>	<u>Bonds Outstanding June 30, 2020</u>
2036	5.18%-5.32%	\$ 32,050,000	<u>\$ 28,205,000</u>	<u>\$ 730,000</u>	<u>\$ 27,475,000</u>

Debt Service Requirements to Maturity

The bonds mature through 2036 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	1,205,000	1,259,244	2,464,244
2026-2030	7,860,000	5,209,876	13,069,876
2031-2035	11,700,000	2,734,214	14,434,214
2036	2,905,000	154,546	3,059,546
	<u>\$ 27,475,000</u>	<u>\$ 14,924,651</u>	<u>\$ 42,399,651</u>

Compensated Absences (Vacation)

The total compensated absences (vacation) for the District at June 30, 2020, amounted to \$2,648,245.

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
2021	\$ 103,896	\$ 17,321	\$ 121,217
2022	51,636	11,001	62,637
2023	51,636	11,001	62,637
2024	31,464	6,546	38,010
	<u>\$ 238,632</u>	<u>\$ 45,869</u>	<u>\$ 284,501</u>

Note 11 - Unrestricted Net Position and Fund Balances

Unrestricted net position of governmental activities at June 30, 2020, is composed of the following elements:

	Governmental Activities
General Fund unrestricted fund balance	\$ 38,157,495
Adult Education unrestricted fund balance	217,227
Other post-employment benefit revenue bonds	(27,475,000)
Compensated absences	(2,648,245)
	<u>8,251,477</u>
Subtotal without the net effect of pension and OPEB liabilities	<u>8,251,477</u>
Net deferred outflows (inflows) of resources from pension activities	58,671,332
Net pension liability	(273,602,527)
Net deferred outflows (inflows) of resources from OPEB activities	(12,482,701)
Net OPEB liability	(31,701,810)
	<u>(31,701,810)</u>
Total including pension and OPEB liabilities and related deferrals	<u>\$ (250,864,229)</u>

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	207,176	-	-	-	207,176
Prepaid items	714,271	45,456	-	99,728	859,455
Total nonspendable	<u>923,947</u>	<u>45,456</u>	<u>-</u>	<u>99,728</u>	<u>1,069,131</u>
Restricted					
Educational programs	5,167,273	-	-	533,401	5,700,674
Capital projects	-	277,273,040	-	12,250,281	289,523,321
Debt services	-	-	80,933,413	-	80,933,413
Total restricted	<u>5,167,273</u>	<u>277,273,040</u>	<u>80,933,413</u>	<u>12,783,682</u>	<u>376,157,408</u>
Committed					
Adult education program	-	-	-	117,499	117,499
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,499</u>	<u>117,499</u>
Unassigned					
Reserve for economic uncertainties	8,639,440	-	-	-	8,639,440
Remaining unassigned	28,594,108	-	-	-	28,594,108
Total unassigned	<u>37,233,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,233,548</u>
	<u>\$ 43,324,768</u>	<u>\$ 277,318,496</u>	<u>\$ 80,933,413</u>	<u>\$ 13,000,909</u>	<u>\$ 414,577,586</u>

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, 2020, 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 2020, 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, 2018 to June 30, 2020:

	<u>Health Benefits</u>
Liability Balance, July 1, 2018	\$ 1,085,752
Claims and changes in estimates	10,571,527
Claim payments	<u>(10,648,279)</u>
Liability Balance, June 30, 2019	1,009,000
Claims and changes in estimates	8,988,516
Claim payments	<u>(9,079,516)</u>
Liability Balance, June 30, 2020	<u>\$ 918,000</u>
Assets available to pay claims at June 30, 2020	<u><u>\$ 7,248,459</u></u>

Note 13 - Net Other Post-Employment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2020, 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	\$ 30,715,052	\$ 4,803,670	\$ 17,514,014	\$ 3,860,881
Medicare Premium Payment (MPP) Program	<u>1,536,867</u>	<u>-</u>	<u>-</u>	<u>56,779</u>
	<u>\$ 32,251,919</u>	<u>\$ 4,803,670</u>	<u>\$ 17,514,014</u>	<u>\$ 3,917,660</u>

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:

	<u>Membership</u>
Inactive employees or beneficiaries currently receiving benefits payments	234
Active employees	<u>1,206</u>
	<u><u>1,440</u></u>

Benefits Provided

The Plan offers benefits from various providers for medical, dental, and vision insurance, pharmacy, and specialists 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 \$2,424,430 to the Plan, all of which was used for current premiums.

Actuarial Assumptions

The net OPEB liability in the June 30, 2019 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	3.42%

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, 2019 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 3.42 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 3.42 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 beginning of year	\$ 46,581,806	\$ 23,056,785	\$ 23,525,021
Service cost	2,248,906	-	2,248,906
Interest	1,788,510	-	1,788,510
Changes in assumptions	2,562,259	-	2,562,259
Contributions-employer	-	(1,842,310)	1,842,310
Net investment income	-	1,273,435	(1,273,435)
Administrative expense	-	(21,481)	21,481
Benefit payments	(3,513,998)	(3,513,998)	-
Net change in total OPEB liability	3,085,677	(4,104,354)	7,190,031
Balance at end of year	<u>\$ 49,667,483</u>	<u>\$ 18,952,431</u>	<u>\$ 30,715,052</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.99 percent in 2018 valuation to 3.42 percent in the 2019 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 (2.42%)	\$ 35,612,657
Current discount rate (3.42%)	30,715,052
1% increase (4.42%)	26,322,344

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 4.5%)	\$ 24,899,828
Current healthcare cost trend rate (6% to 5.5%)	30,715,052
1% increase (7% to 6.5%)	37,610,696

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$3,860,881.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 2,379,240	\$ (3,909,407)
Difference between actual and expected experience	-	(12,032,622)
Contributions subsequent to measurement date	2,424,430	-
Net difference between projected and actual earnings on OPEB plan investments	-	(1,571,985)
	\$ 4,803,670	\$ (17,514,014)

Contributions paid subsequent to the measurement date will be recognized in OPEB expense in fiscal year ending 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30,	Deferred Inflows of Resources
2020	\$ (1,796,282)
2021	(1,796,282)
2022	(1,437,558)
2023	(1,247,083)
2024	(1,176,305)
Thereafter	(7,681,264)
	\$ (15,134,774)

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 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 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, 2020, the District reported a liability of \$1,480,088 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. 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, 2019 and June 30, 2018, respectively, was 0.3974 percent, and 0.4015 percent, resulting in a net decrease in the proportionate share of 0.0041 percent.

For the year ended June 30, 2020, the District recognized OPEB credit of \$56,779.

Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Inflation	2.75%
Salary increases	3.0%, average, including inflation
Investment rate of return	3.50%, 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, 2018, 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, 2019, 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, 2019 and 2018 was 3.50 percent and 3.87 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 3.50 percent and 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019 and 2018, 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:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.50%)	\$ 1,615,115
Current discount rate (3.50%)	1,536,867
1% increase (4.50%)	1,355,938

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:

<u>Medicare Costs Trend Rates</u>	<u>Net OPEB Liability</u>
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, 2020, the District reported its proportionate share of the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 202,915,416	\$ 74,439,313	\$ (28,401,356)	\$ 23,082,633
CalPERS	<u>76,863,806</u>	<u>16,763,458</u>	<u>(3,015,316)</u>	<u>12,289,120</u>
	<u>\$ 279,779,222</u>	<u>\$ 91,202,771</u>	<u>\$ (31,416,672)</u>	<u>\$ 35,371,753</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, 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, 2020 are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

Contributions

For required members, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with Assembly Bill 1469, *State Teachers' Retirement: Defined Benefit Program*, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were \$37,058,670.

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

At June 30, 2020, 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	\$ 202,915,416
State's proportionate share of the net pension liability associated with the District	<u>110,703,906</u>
Total net pension liability, including State share	<u>\$ 313,619,322</u>

The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, respectively was 0.2247 percent and 0.2237 percent, resulting in a net increase in the proportionate share of 0.0010 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$23,082,633. In addition, the District recognized pension expense and revenue of \$16,486,199 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 37,058,670	\$ -
Net change in proportionate share of net pension liability	11,204,024	(14,867,072)
Difference between projected and actual earnings on pension plan investments	-	(7,816,364)
Differences between expected and actual experience	512,254	(5,717,920)
Changes of assumptions	<u>25,664,365</u>	<u>-</u>
	<u>\$ 74,439,313</u>	<u>\$ (28,401,356)</u>

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:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ (788,415)
2022	(6,205,273)
2023	(1,288,311)
2024	465,635
	<u>\$ (7,816,364)</u>

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:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 3,774,027
2022	6,093,710
2023	1,877,850
2024	6,402,869
2025	(937,038)
Thereafter	(415,767)
	<u>\$ 16,795,651</u>

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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Expected Real Rate of Return
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	-3.3%
Cash/liquidity	2%	-0.4%
	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 (6.10%)	\$ 302,157,851
Current discount rate (7.10%)	202,915,416
1% increase (8.10%)	120,624,538

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, 2018 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, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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 percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

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, 2020, are presented above and the total District contributions were \$7,521,104.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$76,863,806. The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, respectively was 0.2637 percent and 0.2681 percent, resulting in a net decrease in the proportionate share of 0.0044 percent.

East Side Union High School District

Notes to Financial Statements

June 30, 2020

For the year ended June 30, 2020, the District recognized pension expense of \$12,289,120. At June 30, 2020, 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	\$ 7,521,104	\$ -
Net change in proportionate share of net pension liability	-	(2,302,391)
Difference between projected and actual earnings on pension plan investments	-	(712,925)
Differences between expected and actual experience in the measurement of the total pension liability	5,583,398	-
Changes of assumptions	3,658,956	-
	\$ 16,763,458	\$ (3,015,316)

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/ (Inflows) of Resources
2021	\$ 703,738
2022	(1,405,692)
2023	(213,016)
2024	202,045
	\$ (712,925)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, 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 4.1 years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2021	\$ 4,666,209
2022	1,489,454
2023	713,001
2024	71,299
	<u>\$ 6,939,963</u>

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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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%
	<u>100%</u>	

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%)	\$ 110,794,123
Current discount rate (7.15%)	76,863,806
1% increase (8.15%)	48,716,265

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 \$15,442,135, \$13,828,479, \$12,558,490 (8.487, 9.828, and 9.328 percent of annual payroll) for the years ending June 30, 2020, 2019 and 2018, respectively. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to

CalPERS. Therefore, there is no on-behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been recorded in the financial statements but are not included in the budgeted revenues and expenditures of the District. These amounts have been excluded from the computation of the available reserves' percentage.

Note 15 - Participation in Public Entity Risk Pools, Joint Powers Authorities (JPA) and Other Related Party Transactions

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

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

During the year ended June 30, 2020, the District made payments of \$1,944,794 and \$3,274,560 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, 2020.

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, 2020.

Construction Commitments

As of June 30, 2020, the District had construction commitments in the amount of \$42,501,782.

Note 17 - Subsequent Events

Subsequent to year-end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.



Required Supplementary Information
June 30, 2020

East Side Union High School District

East Side Union High School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
Local control funding formula	\$ 239,118,356	\$ 238,823,544	\$ 239,046,298	\$ 222,754
Federal sources	11,787,631	13,121,360	11,789,779	(1,331,581)
Other State sources	20,816,530	22,579,535	25,428,351	2,848,816
Other local sources	9,786,283	14,330,581	14,761,464	430,883
Total revenues	<u>281,508,800</u>	<u>288,855,020</u>	<u>291,025,892</u>	<u>2,170,872</u>
Expenditures				
Current				
Certificated salaries	132,256,341	131,064,435	129,390,020	1,674,415
Classified salaries	33,669,717	33,119,643	32,709,545	410,098
Employee benefits	76,211,734	77,099,365	78,430,460	(1,331,095)
Books and supplies	7,941,797	7,022,814	5,181,459	1,841,355
Services and operating expenditures	35,083,437	35,386,917	29,046,946	6,339,971
Other outgo	10,620,387	10,241,653	8,580,178	1,661,475
Capital outlay	665,527	436,252	256,330	179,922
Debt service - principal	765,649	765,649	872,931	(107,282)
Debt service - interest	1,550,671	1,550,671	1,525,649	25,022
Total expenditures	<u>298,765,260</u>	<u>296,687,399</u>	<u>285,993,518</u>	<u>10,693,881</u>
Excess of Expenditures (over) under Revenues	<u>(17,256,460)</u>	<u>(7,832,379)</u>	<u>5,032,374</u>	<u>12,864,753</u>
Other Financing Uses				
Transfers in	115,000	-	23,970	23,970
Transfers out	(975,937)	(1,341,422)	(1,987,800)	(646,378)
Total other financing	<u>(860,937)</u>	<u>(1,341,422)</u>	<u>(1,963,830)</u>	<u>(622,408)</u>
Net Change in Fund Balance	(18,117,397)	(9,173,801)	3,068,544	12,242,345
Fund Balance, Beginning of Year	<u>40,256,224</u>	<u>40,256,224</u>	<u>40,256,224</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 22,138,827</u></u>	<u><u>\$ 31,082,423</u></u>	<u><u>\$ 43,324,768</u></u>	<u><u>\$ 12,242,345</u></u>

East Side Union High School District
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last Ten Fiscal Years*

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 2,248,906	\$ 2,197,246	\$ 2,377,401
Interest	1,788,510	2,259,566	2,065,888
Changes of assumptions	2,562,259	(677,554)	(4,253,271)
Differences between actual and expected experience	-	(14,038,060)	-
Benefit payments	(3,513,998)	(4,311,762)	(4,429,331)
Net change in total OPEB liability	3,085,677	(14,570,564)	(4,239,313)
Total OPEB liability - beginning	46,581,806	61,152,370	65,391,683
Total OPEB liability - ending (a)	<u>\$ 49,667,483</u>	<u>\$ 46,581,806</u>	<u>\$ 61,152,370</u>
Plan Fiduciary Net Position			
Employers contribution	\$ (1,842,310)	\$ 2,649,475	\$ 690,995
Net investment income	1,273,435	1,829,471	2,580,729
Administrative expense	(21,481)	(23,095)	-
Benefit payments	(3,513,998)	(4,311,762)	(4,429,331)
Net change in fiduciary net position	(4,104,354)	144,089	(1,157,607)
Fiduciary net position - beginning	23,056,785	22,912,696	24,070,303
Fiduciary net position - ending (b)	<u>\$ 18,952,431</u>	<u>\$ 23,056,785</u>	<u>\$ 22,912,696</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 30,715,052</u>	<u>\$ 23,525,021</u>	<u>\$ 38,239,674</u>
Plan	38.16%	49.50%	37.47%
Covered-employee payroll	\$ 173,491,372	\$ 164,715,470	\$ 164,083,302
District's net	17.70%	14.28%	23.31%
Measurement date	6/30/2019	6/30/2018	6/30/2017

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until ten years of data is available, the District will present information only for those years for which information is available.

East Side Union High School District
Schedule of Contributions for OPEB
Last Ten Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 2,424,430	\$ 3,099,923	\$ 2,649,475
Contribution in relation to the actuarially determined contribution	<u>(2,424,430)</u>	<u>(3,099,923)</u>	<u>(2,649,475)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 173,491,372	\$ 170,544,906	\$ 164,715,470
Contributions as a percentage of covered payroll	1.4%	1.8%	1.6%

* GASB Statement No. 75 requires ten years of information to be presented in this table. However, until ten years of data is available, the District will present information only for those years for which information is available.

East Side Union High School District
 Schedule of the Proportionate Share of the Net OPEB Liability – MPP Program
 Last Ten Fiscal Years*

	2020	2019	2018
District's proportion of the net OPEB liability	0.3974%	0.4015%	0.41290%
District's proportionate share of the net OPEB liability	1,536,867	\$ 1,536,867	\$ 1,736,987
District's covered payroll	N/A**	N/A**	N/A**
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A**	N/A**	N/A**
Measurement date	6/30/2019	6/30/2018	6/30/2017

* GASB Statement No. 75 requires ten years of information to be presented in this table. However, until ten years of data is available, the District will present information only for those years for which information is available.

**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.

East Side Union High School District
Schedule of the Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years*

Measurement date	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
CalSTRS						
District's proportion of the net pension liability	0.22470%	0.22370%	0.22804%	0.22075%	0.25993%	0.23020%
District's proportionate share of the net pension liability	\$ 202,915,416	\$ 205,593,282	\$ 210,892,070	\$ 178,546,485	\$ 174,993,327	\$ 134,521,149
State's proportionate share of the net pension liability associated with the District	<u>110,703,906</u>	<u>117,711,769</u>	<u>124,761,967</u>	<u>101,643,329</u>	<u>92,552,179</u>	<u>81,229,677</u>
	<u>\$ 313,619,322</u>	<u>\$ 323,305,051</u>	<u>\$ 335,654,037</u>	<u>\$ 280,189,814</u>	<u>\$ 267,545,506</u>	<u>\$ 215,750,826</u>
District's covered payroll	<u>\$ 123,407,896</u>	<u>\$ 121,736,601</u>	<u>\$ 122,579,597</u>	<u>\$ 119,337,685</u>	<u>\$ 111,165,728</u>	<u>\$ 102,842,026</u>
District's proportionate share of the net pension liability as a percentage of its covered - payroll	164.43%	168.88%	172.05%	149.61%	157.42%	130.80%
Plan fiduciary net position as a percentage of the total pension liability	71%	71%	69%	70%	74%	77%
Measurement date	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
CalPERS						
District's proportion of the net pension liability	0.26370%	0.26808%	0.28384%	0.28983%	0.28613%	0.26448%
District's proportionate share of the net pension liability	\$ 76,863,806	\$ 71,477,427	\$ 67,760,813	\$ 57,240,552	\$ 42,175,303	\$ 30,024,754
District's covered - payroll	\$ 36,626,980	\$ 35,436,556	\$ 34,903,036	\$ 33,120,771	\$ 29,702,119	\$ 27,540,541
District's proportionate share of the net pension liability as a percentage of its covered - payroll	209.86%	201.71%	194.14%	172.82%	141.99%	109.02%
Plan fiduciary net position as a percentage of the total pension liability	71%	71%	72%	74%	79%	83%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available, the District will present information only for those years for which information is available.

East Side Union High School District
Schedule of Contributions for Pensions
Last Ten Fiscal Years*

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
CalSTRS						
Contractually required contribution	\$ 21,616,535	\$ 20,097,021	\$ 17,926,108	\$ 15,418,734	\$ 12,804,206	\$ 9,869,073
Contributions in relation to the contractually required contribution	<u>(21,616,535)</u>	<u>(20,097,021)</u>	<u>(17,926,108)</u>	<u>(15,418,734)</u>	<u>(12,804,206)</u>	<u>(9,869,073)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 126,412,485</u>	<u>\$ 123,407,896</u>	<u>\$ 121,736,601</u>	<u>\$ 122,579,597</u>	<u>\$ 119,337,685</u>	<u>\$ 111,165,728</u>
Contributions as a percentage of covered payroll	<u>17.10%</u>	<u>16.29%</u>	<u>14.73%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS						
Contractually required contribution	\$ 7,521,104	\$ 6,788,525	\$ 5,120,582	\$ 5,177,134	\$ 3,814,940	\$ 3,496,235
Contributions in relation to the contractually required contribution	<u>(7,521,104)</u>	<u>(6,788,525)</u>	<u>(5,120,582)</u>	<u>(5,177,134)</u>	<u>(3,814,940)</u>	<u>(3,496,235)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 38,137,539</u>	<u>\$ 36,626,980</u>	<u>\$ 35,436,556</u>	<u>\$ 34,903,036</u>	<u>\$ 33,120,771</u>	<u>\$ 29,702,119</u>
Contributions as a percentage of covered payroll	<u>19.72%</u>	<u>18.53%</u>	<u>14.45%</u>	<u>14.83%</u>	<u>11.52%</u>	<u>11.77%</u>

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available, the District will present information only for those years for which information is available.

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 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 to 3.42% at June 30, 2019; 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 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 Pension and OPEB 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
June 30, 2020

East Side Union High School District

East Side Union High School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

<u>Federal Grantor/Program Title/Pass-through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education			
Passed-Through California Department of Education (CDE):			
Migrant Education State Grant Program			
Regular Program	84.011	14326	\$ 180,168
English Language Acquisition State Grants			
Title III, Limited English Proficiency	84.365	14346	379,323
Title III, Immigrant Education Program	84.365	15146	77,066
			<u>456,389</u>
Special Education Cluster:			
Special Education Grants to States:			
Basic Local Assistance Entitlement	84.027	13379	4,553,111
Private Schools	84.027	10115	3,201
Mental Health Allocation Plan	84.027	14468	246,192
Total Special Education Cluster			<u>4,802,504</u>
Adult Education - Basic Grants to States:			
Adult Secondary Education	84.002	13978	209,000
Adult Basic Education and English as Second Language	84.002	14508	572,445
			<u>781,445</u>
Title I Grants to Local Educational Agencies	84.010	14329	3,992,167
Supporting Effective Instruction State Grants	84.367	14341	603,912
Student Support and Academic Enrichment Program	84.424	15396	274,536
Career and Technical Education-Basic Grants to States	84.048	14894	502,324
Vocational Rehabilitation Grants to States	84.126	10006	361,769
			<u>11,955,214</u>
Total U.S. Department of Education			
U.S. Department of Health and Human Services			
Passed-Through California Department of Education:			
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	15136	337,503
Total Child Care and Development Fund Cluster			<u>337,503</u>
Total U.S. Department of Health and Human Services			
			<u>337,503</u>

East Side Union High School District
Schedule of Expenditures of Federal Awards, Continued
Year Ended June 30, 2020

<u>Federal Grantor/Program Title/Pass-through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Passed-Through California Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	13390	696,253
National School Lunch Program	10.555	13523	2,874,545
Special Milk Program for Children	10.556	13568	12,298
Total Child Nutrition Cluster			<u>3,583,096</u>
Child and Adult Care Food Program	10.558	13393	<u>412,262</u>
Total U.S. Department of Agriculture			<u>3,995,358</u>
U.S. Department of Defense			
Direct Award			
ROTC Language and Culture Training Grants	12.357	1	444,106
Total U.S. Department of Defense			<u>444,106</u>
Total Expenditures of Federal Awards			<u><u>\$ 16,732,181</u></u>

¹⁴¹ These grants are direct grants. No pass-through entity identifying numbers are available.

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 and 1 alternative school. There were no boundary changes during the year.

Board of Trustees

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Lan Nguyen	President	2020
Van T. Le	Vice President	2022
J. Manuel Herrera	Clerk	2022
Pattie Cortese	Member	2020
Lorena Chavez	Member	2022

Administration

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

East Side Union High School District
 Schedule of Average Daily Attendance
 Year Ended June 30, 2020

	Final Report	
	Second Period Report	Annual Report
9th Through 12th		
Regular ADA	21,386.20	21,386.20
Extended Year Special Education	41.18	41.18
Special Education, Nonpublic, Nonsectarian Schools	51.34	51.34
Extended Year Special Education, Nonpublic, Nonsectarian Schools	5.46	5.46
	21,484.18	21,484.18

East Side Union High School District
 Schedule of Instructional Time
 Year Ended June 30, 2020

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
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

East Side Union High School District
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
 Year Ended June 30, 2020

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Governmental Activities - Internal Service Fund	Business-Type Activities- Cafeteria Enterprise Fund
FUND BALANCE						
Balance, June 30, 2020, Unaudited Actuals	42,893,909	\$ 274,023,932	\$ 79,981,672	\$ 12,813,109	\$ 6,260,166	\$ (5,141,114)
As required by GASB 31, the Fair Market Value adjustment for investments with Santa Clara County investment pool	430,859	3,294,564	951,741	187,800	70,293	29,048
As required by GASB 68, the recording of deferred inflows, outflows of resources, and liabilities related to pensions	-	-	-	-	-	(698,565)
Balance, June 30, 2020, Audited Financial Statement	<u>\$ 43,324,768</u>	<u>\$ 277,318,496</u>	<u>\$ 80,933,413</u>	<u>\$ 13,000,909</u>	<u>\$ 6,330,459</u>	<u>\$ (5,810,631)</u>

East Side Union High School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2020

	Budgeted 2021 ¹	Actual 2020	Actual 2019	Actual 2018
General Fund				
Revenues	\$ 281,508,800	\$ 291,025,892	\$ 298,618,732	\$ 272,175,509
Other sources and transfers in	115,000	23,970	8,590,792	499,536
Total revenues and other sources	<u>281,623,800</u>	<u>291,049,862</u>	<u>307,209,524</u>	<u>272,675,045</u>
Expenditures	298,765,260	285,993,518	299,303,673	275,405,364
Other uses and transfers out	975,937	1,987,800	2,779,147	1,794,094
Total expenditures and other uses	<u>299,741,197</u>	<u>287,981,318</u>	<u>302,082,820</u>	<u>277,199,458</u>
Changes in Fund Balance	\$ (18,117,397)	\$ 3,068,544	\$ 5,126,704	\$ (4,524,413)
Ending Fund Balance	<u>\$ 25,207,371</u>	<u>\$ 43,324,768</u>	<u>\$ 40,256,224</u>	<u>\$ 35,129,520</u>
Available Reserves	<u>\$ 19,116,151</u>	<u>\$ 37,233,548</u>	<u>\$ 35,712,941</u>	<u>\$ 38,713,656</u>
Available Reserves as a percentage of total Outgo	<u>6.38%</u>	<u>12.93%</u>	<u>11.82%</u>	<u>13.97%</u>
Long-Term Obligations	<u>\$1,248,716,677</u>	<u>\$1,319,274,582</u>	<u>\$1,334,176,674</u>	<u>\$1,270,619,605</u>
Average Daily Attendance At P-2	<u>21,042</u>	<u>21,484</u>	<u>21,440</u>	<u>22,081</u>

¹ Adopted Budget 2021 is included for analytical purposes only and has not been subjected to an audit.

The General Fund balance has increased by \$8,195,248 over the past two years. The fiscal year 2020-21 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 2020-21 fiscal year. Total long-term obligations have increased by \$48,654,977 over the past two years.

Average daily attendance has decreased by 598 over the past two years. A decrease of 441 ADA is anticipated during fiscal year 2020-21.

East Side Union High School District
Schedule of Charter Schools
Year Ended June 30, 2020

Charter Number	Name of Charter School	Included in Audit Report
1387	ACE Charter High School	No
1737	Alpha Cindy Avitia High School	No
1675	B. Roberto Cruz Leadership Academy	No
0502	Escuela Popular Accelerated Family Learning	No
0646	Escuela Popular/Center for Training and Careers Family Learning	No
0976	KIPP San Jose Collegiate	No
0414	Latino College Preparatory Academy	No
1681	Luis Valdez Leadership Academy	No
0425	San Jose Conservation Corps Charter	No
1276	Summit Rainier	No

East Side Union High School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2020

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Assets							
Deposits and investments	\$ 1,732,229	\$ 961,061	\$ -	\$ 13,240,408	\$ -	\$ -	\$ 15,933,698
Receivables	1,058,056	583,657	-	114,999	-	-	1,756,712
Prepaid expenses	99,728	-	-	-	-	-	99,728
Total assets	\$ 2,890,013	\$ 1,544,718	\$ -	\$ 13,355,407	\$ -	\$ -	\$ 17,790,138
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 89,385	\$ 1,236,755	\$ -	\$ 41,589	\$ -	\$ -	\$ 1,367,729
Due to other funds	2,050,000	216,793	-	-	-	-	2,266,793
Unearned revenue	-	79,843	-	1,074,864	-	-	1,154,707
Total liabilities	2,139,385	1,533,391	-	1,116,453	-	-	4,789,229
Fund Balances							
Nonspendable	99,728	-	-	-	-	-	99,728
Restricted	533,401	11,327	-	12,238,954	-	-	12,783,682
Committed	117,499	-	-	-	-	-	117,499
Total fund balances	750,628	11,327	-	12,238,954	-	-	13,000,909
Total Liabilities and Fund Balances	\$ 2,890,013	\$ 1,544,718	\$ -	\$ 13,355,407	\$ -	\$ -	\$ 17,790,138

East Side Union High School District

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

June 30, 2020

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Revenues							
Federal sources	\$ 781,445	\$ 337,503	\$ -	\$ -	\$ -	\$ -	\$ 1,118,948
Other State sources	7,633,079	1,659,655	-	-	-	-	9,292,734
Other local sources	122,425	11,327	17	646,930	32,478	20	813,197
Total revenues	8,536,949	2,008,485	17	646,930	32,478	20	11,224,879
Expenditures							
Current							
Instruction	4,301,150	4,897	-	-	-	-	4,306,047
Instruction-related activities:							
Supervision of instruction	546,505	-	-	-	-	-	546,505
Instructional library and technology	51,820	-	-	-	-	-	51,820
School site administration	2,552,377	374,725	-	-	-	-	2,927,102
Pupil services:							
All other pupil services	258,995	1,559,594	-	-	-	-	1,818,589
Administration:							
All other administration	348,390	10,776	-	-	-	-	359,166
Maintenance and operations	421,958	47,388	17	27,927	-	-	497,290
Capital outlay	-	-	-	462,947	-	-	462,947
Total expenditures	8,481,195	1,997,380	17	490,874	-	-	10,969,466
Excess (Deficiency) of							
Revenues Over Expenditures	55,754	11,105	-	156,056	32,478	20	255,413
Other Financing Sources							
Other sources	-	222	-	-	-	-	222
Transfers out	(23,970)	-	-	-	(32,478)	(20)	(56,468)
Total other financing sources	(23,970)	222	-	-	(32,478)	(20)	(56,246)
Net Change in Fund Balances	31,784	11,327	-	156,056	-	-	199,167
Fund Balance, Beginning of Year	718,844	-	-	12,082,898	-	-	12,801,742
Fund Balance, End of Year	\$ 750,628	\$ 11,327	\$ -	\$ 12,238,954	\$ -	\$ -	\$ 13,000,909

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 and full 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	various	\$ 12,908,727
Total Federal revenues reported on Enterprise Fund Statement	10.553, 10.555, and 10.556	3,995,358
Total revenues for Medical Assistance Program	93.778	<u>(171,904)</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 16,732,181</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes 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.

Due to school closures caused by COVID-19, the East Side Union High School District filed the COVID-19 School Closure Certification certifying that schools were closed for 52 days due to the pandemic.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

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

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



Independent Auditor's Reports
June 30, 2020

East Side Union High School District



**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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 19, 2021.

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) as a basis for designing 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 financial statements. 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.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Menlo Park, California
January 19, 2021



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, 2020. 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.

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, 2020.

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.



Menlo Park, California
January 19, 2021



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 described in the 2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. 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 audit requirements of the 2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. 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 opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

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.

Unmodified Opinion

In our opinion, the District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State *Compliance Reporting*. Accordingly, this report is not suitable for any other purpose



Menlo Park, California
January 19, 2021



Schedule of Findings and Questioned Costs
June 30, 2020

East Side Union High School District

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs	
Material weakness identified?	No
Significant deficiencies not considered to be material weaknesses?	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 No

Identification of major federal programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
-------------------------------------------	-----------------------

Adult Education - Basic Grants to States	84.002
Child Nutrition Cluster	10.553, 10.555, and 10.556

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

None reported.

None reported.

None reported.

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