



Financial Statements
June 30, 2021

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 East Side Union High School District (the District) as of and for the year ended June 30, 2021, 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. 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 17 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position (deficit) and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, budgetary comparison information on pages 71, schedule of changes in the District's net OPEB liability and related ratios on page 72, schedule of District contributions for OPEB on page 73, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 74, schedule of the District's proportionate share of the net pension liability on page 75, and the schedule of District contributions for pension on page 76, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Side Union High School District's financial statements. The combining non-major governmental fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of 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 other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining non-major governmental fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate 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 combining non-major governmental fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are 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 a report dated 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, 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.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Menlo Park, California
January 28, 2022

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Preparing every student to thrive in a global society.

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, 2021. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

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

- The District's cash and investments balances increased by \$98.2million with most of that increase reported in our capital projects funds. The increase was due to the issuance of bonds in the amount of \$127.3 million, some of which was used for capital projects at various school sites.
- Capital assets increased by \$5.6 which is comprised of \$39.2million in capital asset additions which was offset by depreciation of \$33.6 million.
- The District's long-term debt other than claim liability, pension and other postemployment benefit (OPEB) liabilities increased by \$75.9 million mainly due to the issuance of 2016 election Series C general obligation bonds and 2020 refunding bonds which was offset by principal payments, include the refunded debt, in the amount of \$150.3 million. The District's general obligation bonds are secured with proceeds from property taxes collected from various bond measures approved by the District's voters.
- The District's net pension and OPEB liabilities increased by \$46.1 million mainly due to change in assumptions used to calculate these liabilities along with changes in earnings related to those plans with CalPERS and CalSTRS.
- The District's operating grants most of which received from federal and state sources increased by \$8.4 million mainly due to one-time COVID-19 emergency funds.
- The District's instructional related expenses increased by \$3.4 million mainly due to the pandemic with the implementation of shelter in place and distance learning.
- The District's Average Daily Attendance (ADA) was not collected during 2020-21. Therefore, the District apportionment was funded by prior year's ADA.
- The District's state aid, including education protection act (EPA), increased by \$15.2 million due to increases related to Cost of Living Adjustments and other State authorized increases within the Local Control Funding Formula (LCFF).

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. These statements include all assets of the District (including capital assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities) and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

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 13-24 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 20-22 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 23-24 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 25-70 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District's budgetary comparison information and changes in the net pension and OPEB liabilities to its employees. Required supplementary information can be found on pages 71-78 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 86-87 of this report.

Government-wide Overall Financial Analysis

Net Position

The District reported a deficit net position of \$75.9 million and \$130.9 million deficit for the fiscal years ended June 30, 2021 and 2020, 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	
	2021	2020	2021	2020
Current and Other Assets	\$ 577,947,547	\$ 469,414,831	\$ 110,614	\$ 33,725
Capital Assets	773,014,489	754,310,415	-	-
Total assets	<u>1,350,962,036</u>	<u>1,223,725,246</u>	<u>110,614</u>	<u>33,725</u>
Deferred Charge on Refunding	6,414,110	4,741,515	-	-
Deferred Outflows from Pension and OPEB	102,996,758	86,746,065	1,162,825	1,613,351
Total deferred outflows	<u>109,410,868</u>	<u>91,487,580</u>	<u>1,162,825</u>	<u>1,613,351</u>
Current Liabilities	61,930,142	51,274,802	110,615	33,725
Long-Term Obligations	1,083,164,292	1,042,044,077	-	-
Net Other Post-Employment	47,226,024	24,631,938	661,246	429,950
Aggregate Net Pension Liability	304,505,829	271,313,833	5,710,571	5,756,876
Total liabilities	<u>1,496,826,287</u>	<u>1,389,264,650</u>	<u>6,482,432</u>	<u>6,220,551</u>
Deferred Inflows from Pension and OPEB	33,850,106	51,675,121	393,879	567,640
Total deferred inflows	<u>33,850,106</u>	<u>51,675,121</u>	<u>393,879</u>	<u>567,640</u>
Net Position				
Net investment in capital assets	102,030,162	34,580,121	-	-
Restricted	88,551,438	95,132,195	-	-
Unrestricted	(260,885,089)	(255,439,261)	(5,602,872)	(5,141,115)
Total net position	<u>\$ (70,303,489)</u>	<u>\$ (125,726,945)</u>	<u>\$ (5,602,872)</u>	<u>\$ (5,141,115)</u>

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	
	2021	2020*	2021	2020
Revenues				
Program Revenues				
Charges for services	\$ 1,318,134	\$ 57,743	\$ 15,383	\$ 1,148,739
Operating grants and contributions	69,416,256	52,621,906	3,655,669	4,388,436
Capital grants and contributions	40	1,269,232	-	-
General Revenues				
State and federal sources	128,239,060	104,140,750	-	-
Taxes	217,409,457	235,515,312	-	-
Other general revenues	1,559,554	18,401,185	1,628,902	1,526,961
Total revenues	<u>417,942,501</u>	<u>412,006,128</u>	<u>5,299,954</u>	<u>7,064,136</u>
Expenses				
Instruction related	253,642,225	250,208,991	-	-
Student support services	46,127,362	45,259,404	-	-
Administration	18,186,180	17,654,229	-	-
Maintenance and operations	30,639,915	29,603,424	-	-
Other outgo	8,335,075	10,456,710	-	-
Food services	-	-	5,092,195	7,447,527
All other services	40,879,680	42,822,886	-	-
Total expenses	<u>397,810,437</u>	<u>396,005,644</u>	<u>5,092,195</u>	<u>7,447,527</u>
Change in net position	<u>\$ 20,132,064</u>	<u>\$ 16,000,484</u>	<u>\$ 207,759</u>	<u>\$ (383,391)</u>

* The prior year revenues and expenses for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

Governmental Activities

As reported in the Statement of Activities in the financial statements, the cost of all of our governmental activities this year was \$397.8 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$217.4 million because the cost was paid by those who benefited from the programs \$1.3 million or by other governments and organizations who subsidized certain programs with operating and capital grants and contributions \$69.4 million. We paid for the remaining public benefit portion of our governmental activities with \$129.8 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>2021</u>	<u>2020*</u>
Instruction and related activities	\$ 199,876,237	\$ 205,284,748
Pupil services	36,637,976	39,611,664
General administration	15,692,801	16,122,572
Maintenance and operations	28,941,771	28,683,414
Interest	34,271,146	39,660,228
Other	<u>11,656,076</u>	<u>12,694,137</u>
 Totals	 <u><u>\$ 327,076,007</u></u>	 <u><u>\$ 342,056,763</u></u>

* The total and net cost of services for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

The District's Funds

As the District completed this year, our governmental funds reported a combined fund balance of \$527.4 million, which was an increase of \$110.5 million from last year. The General fund reported an increase in fund balance of \$19.7 million. The Building fund reported an increase in fund balance of \$82.5 million mainly due to construction activities. The Bond Interest and Redemption fund reported an increase in fund balance for \$6.9 million due to collecting more property tax on anticipation of next year's payments on debt. All other funds reported a combined increase in fund balance for \$1.4 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 71).

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 \$952 with 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 88 from 2019-20 of 22,576 to 22,488 in 2020-21. Second period average daily attendance (commonly known as P-2 ADA) was 21,484 in 2019-20. Due to COVID-19 provision, the P-2 ADA was not collected in 2020-21.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2021, the District governmental activities had \$773.0 million in a broad range of capital assets. This amount represents a net increase (including additions, deductions and depreciation) of \$5.6 million, or 0.7%, from last year.

Table 4

	Governmental Activities	
	2021	2020
Land	\$ 25,442,454	\$ 25,442,454
Construction in progress	28,248,486	49,616,295
Buildings and improvements	1,044,424,172	984,214,846
Furniture and equipment	40,846,801	40,493,680
 Total assets	 1,138,961,913	 1,099,767,275
Less accumulated depreciation	365,947,424	332,372,323
 Totals	 \$ 773,014,489	 \$ 767,394,952

This year's major capital asset additions include the Education Center Adult Transition Program North Building, W.C. Overfelt Music, Art, and Administration New Building and Central Quad Modernization, along with the upgrades to the fences, pavements, play courts, site utilities, and landscapes to the surrounding areas.

The Building fund reported the fund balance of \$359.8 million. These funds are programmed for projects that are in the planning, design, and construction phases for the upcoming year(s). Major projects approved by various measures and authorized by the voters of the District include Andrew Hill Student Union Building with Performing Arts Classroom, Foothill Modernization of Building G, Evergreen Valley Cougar Hall - Library Modernization, Piedmont Performing Arts Classroom Building, Independence Building A1- Student Union and Building E Music Modernization, Mt. Pleasant Modernization of Building 500, Oak Grove Modernization of Building K, 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, Yerba Buena Ball Field Improvements and Yerba Buena Performing/Fine Arts Classrooms and Theater Building.

Additional information about the District's capital assets can be found on page 43.

Long-Term Obligations

Table 5

	Governmental Activities	
	2021	2020
General obligation bonds	\$ 994,711,219	\$ 949,044,183
Premium	58,268,868	61,910,392
OPEB revenue bonds	26,660,000	28,205,000
Capital lease	286,595	333,423
Compensated absences (vacation)	3,237,610	2,551,079
Totals	\$ 1,083,164,292	\$ 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 \$994.7 million is below the statutorily imposed limit. Additional information about the District's debt can be found on page 46.

In addition to amounts reported above, the District 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 \$310.2 million in net pension liabilities related to CalPERS and CalSTRS. In addition, the District reports a net OPEB liability of \$47.9 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 2020-21 with the unduplicated count percentage at 50%. The District student enrollment is projected to decrease by 644 for 2021-22 and anticipates a continuous decline in 2022-23. The projected 2021-22 and 2022-23 CBEDS enrollment is 21,844 and 21,626, respectively.

The District projects to receive another one time discretionary grant in lieu of the Mandated Cost Reimbursement of \$1.4 million in 2021-22.

In 2021-22, the District will receive \$11.4 million and \$25.6 million in one-time Federal COVID-19 funds from the Elementary and Secondary School Emergency Relief (ESSER) II CRRSA (Coronavirus Response and Relief Supplemental Appropriations), and ESSER III ARP (American Rescue Plan), respectively.

In 2020-21, the District accepted and enrolled 3 international students in the International Student Program. In 2021-22, the District has accepted and enrolled 5 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, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Deposits and investments	\$ 516,528,144	\$ 3,194,850	\$ 519,722,994
Receivables	56,673,845	920,805	57,594,650
Internal balances	4,116,273	(4,116,273)	-
Prepaid expenses	402,811	-	402,811
Stores inventories	211,621	111,232	322,853
Other current assets	14,853	-	14,853
Capital assets not depreciated	53,690,940	-	53,690,940
Capital assets, net of accumulated depreciation	719,323,549	-	719,323,549
Total assets	<u>1,350,962,036</u>	<u>110,614</u>	<u>1,351,072,650</u>
Deferred Outflows of Resources			
Deferred charge on refunding	6,414,110	-	6,414,110
Deferred outflows of resources related to OPEB	13,797,739	200,592	13,998,331
Deferred outflows of resources related to pensions	89,199,019	962,233	90,161,252
Total deferred outflows of resources	<u>109,410,868</u>	<u>1,162,825</u>	<u>110,573,693</u>
Liabilities			
Accounts payable	33,875,073	110,615	33,985,688
Interest payable	14,744,526	-	14,744,526
Unearned revenue	12,388,543	-	12,388,543
Long-term obligations other than OPEB and pensions			
Claims liabilities due within one year	922,000	-	922,000
Current portion of long-term obligations	76,580,191	-	76,580,191
Noncurrent portion of long-term obligations	1,006,584,101	-	1,006,584,101
Net other post-employment benefits liability (OPEB)	47,226,024	661,246	47,887,270
Aggregate net pension liability	304,505,829	5,710,571	310,216,400
Total liabilities	<u>1,496,826,287</u>	<u>6,482,432</u>	<u>1,503,308,719</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to OPEB	14,786,689	214,969	15,001,658
Deferred inflows of resources related to pensions	19,063,417	178,910	19,242,327
Total deferred inflows of resources	<u>33,850,106</u>	<u>393,879</u>	<u>34,243,985</u>
Net Position			
Net investment in capital assets	102,030,162	-	102,030,162
Restricted for			
Debt service	57,077,464	-	57,077,464
Capital projects	12,976,113	-	12,976,113
Educational programs	18,497,861	-	18,497,861
Self insurance	-	-	-
Unrestricted net position (deficit)	<u>(260,885,089)</u>	<u>(5,602,872)</u>	<u>(266,487,961)</u>
Total Net Position	<u>\$ (70,303,489)</u>	<u>\$ (5,602,872)</u>	<u>\$ (75,906,361)</u>

East Side Union High School District
Statement of Activities
Year Ended June 30, 2021

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	\$ 208,552,934	\$ 305,958	\$ 35,922,947	\$ 40	\$ (172,323,989)	\$ -	\$ (172,323,989)
Instruction-related activities							
Supervision of instruction	22,288,299	452,405	12,069,655	-	(9,766,239)	-	(9,766,239)
Instructional library and technology	1,708,428	-	923,290	-	(785,138)	-	(785,138)
School site administration	21,092,564	22,001	4,069,692	-	(17,000,871)	-	(17,000,871)
Pupil services							
Home-to-school transportation	4,155,363	-	792,660	-	(3,362,703)	-	(3,362,703)
All other pupil services	41,971,999	508,820	8,187,906	-	(33,275,273)	-	(33,275,273)
Administration							
Data processing	2,359,602	-	-	-	(2,359,602)	-	(2,359,602)
All other administration	15,826,578	27,751	2,465,628	-	(13,333,199)	-	(13,333,199)
Maintenance and operations	30,639,915	-	1,698,144	-	(28,941,771)	-	(28,941,771)
Ancillary services	4,039,038	1,061	1,043,958	-	(2,994,019)	-	(2,994,019)
Community services	2,569,496	138	2,242,376	-	(326,982)	-	(326,982)
Interest on long-term obligations	34,271,146	-	-	-	(34,271,146)	-	(34,271,146)
Other outgo	8,335,075	-	-	-	(8,335,075)	-	(8,335,075)
Total governmental activities	397,810,437	1,318,134	69,416,256	40	(327,076,007)	-	(327,076,007)
Business-Type Activities							
Food services	5,092,195	15,383	3,655,669	-	-	(1,421,143)	(1,421,143)
Total primary government	\$ 402,902,632	\$ 1,333,517	\$ 73,071,925	\$ 40	(327,076,007)	(1,421,143)	(328,497,150)
General Revenues and Subventions							
Property taxes, levied for general purposes					115,259,618	-	115,259,618
Property taxes, levied for debt service					97,893,123	-	97,893,123
Taxes levied for other specific purposes					4,256,716	-	4,256,716
Federal and State aid not restricted to specific purposes					128,239,060	-	128,239,060
Interest and investment earnings					3,730,007	1,372	3,731,379
Interagency revenues					136,519	-	136,519
Miscellaneous					(679,442)	-	(679,442)
Transfers					(1,627,530)	1,627,530	-
Total general revenues and transfers					347,208,071	1,628,902	348,836,973
Change in Net Position					20,132,064	207,759	20,339,823
Net Position (Deficit) - Beginning, as restated					(90,435,553)	(5,810,631)	(96,246,184)
Net Position (Deficit) - End					\$ (70,303,489)	\$ (5,602,872)	\$ (75,906,361)

East Side Union High School District
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 38,984,949	\$ 368,654,532	\$ 87,763,906	\$ 17,440,236	\$ 512,843,623
Receivables	54,362,473	604,402	85,722	559,261	55,611,858
Due from other funds	4,333,066	-	-	-	4,333,066
Prepaid items	50,942	340,350	-	11,519	402,811
Stores inventories	202,498	-	-	9,123	211,621
Other current assets	-	-	-	14,853	14,853
Total assets	\$ 97,933,928	\$ 369,599,284	\$ 87,849,628	\$ 18,034,992	\$ 573,417,832
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 22,600,111	\$ 9,758,651	\$ 26	\$ 1,101,278	\$ 33,460,066
Due to other funds	-	-	-	216,793	216,793
Unearned revenue	12,309,610	-	-	78,933	12,388,543
Total liabilities	34,909,721	9,758,651	26	1,397,004	46,065,402
Fund Balances					
Nonspendable	264,940	340,350	-	39,189	644,479
Restricted	14,969,853	359,500,283	87,849,602	16,476,451	478,796,189
Committed	-	-	-	122,348	122,348
Unassigned	47,789,414	-	-	-	47,789,414
Total fund balances	63,024,207	359,840,633	87,849,602	16,637,988	527,352,430
Total Liabilities and Fund balances	\$ 97,933,928	\$ 369,599,284	\$ 87,849,628	\$ 18,034,992	\$ 573,417,832

East Side Union High School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2021

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

Total fund balance - governmental funds		\$ 527,352,430
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds.		
Governmental capital assets	\$ 1,138,961,913	
Less accumulated depreciation	<u>(365,947,424)</u>	773,014,489
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.		
		6,414,110
Deferred inflows and outflows related to pension liability are not due in the current period and therefore are not reported on the governmental funds.		
		70,135,602
Deferred inflows and outflows related to OPEB liability are not due in the current period and therefore are not reported on the governmental funds.		
		(988,950)
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.		
		(14,744,526)
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.		
		3,409,501
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	(994,711,219)	
Bond premiums	(58,268,868)	
OPEB bonds	(26,660,000)	
Capital leases	(286,595)	
Compensated absences (vacation)	(3,237,610)	
Net OPEB liability	(47,226,024)	
Net pension liability	<u>(304,505,829)</u>	<u>(1,434,896,145)</u>
Net position of governmental activities		<u>\$ (70,303,489)</u>

East Side Union High School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local control funding formula	\$ 238,078,777	\$ -	\$ -	\$ -	\$ 238,078,777
Federal sources	27,454,544	-	-	1,236,362	28,690,906
Other State sources	34,362,165	18,296	470,562	9,450,904	44,301,927
Other local sources	10,317,107	(410,284)	96,772,627	2,915,325	109,594,775
Total revenues	310,212,593	(391,988)	97,243,189	13,602,591	420,666,385
Expenditures					
Current					
Instruction	165,811,816	-	-	3,778,932	169,590,748
Instruction-related activities					
Supervision of instruction	18,045,646	-	-	415,488	18,461,134
Instructional library and technology	1,341,783	-	-	53,883	1,341,783
School site administration	14,746,385	-	-	2,600,967	2,600,967
Pupil services					
Home-to-school transportation	3,510,377	-	-	-	3,510,377
Food services	580,345	-	-	-	580,345
All other pupil services	34,251,484	-	-	315,544	34,567,028
Administration					
Data processing	1,974,098	-	-	-	1,974,098
All other administration	12,598,383	-	-	330,549	12,928,932
Maintenance and operations	22,566,010	4,073,445	-	361,131	27,000,586
Ancillary services	2,686,135	-	-	748,972	3,435,107
Community services	234	-	-	2,254,760	2,254,994
Other outgo	8,335,075	-	-	-	8,335,075
Capital Outlay	-	40,332,470	-	1,361,452	41,693,922
Debt Service					
Principal	938,412	-	61,290,982	-	62,229,394
Interest and other	1,460,529	-	34,989,102	-	36,449,631
Total expenditures	288,846,712	44,405,915	96,280,084	12,221,678	441,754,389
Excess (Deficiency) of Revenues Over Expenditures	21,365,881	(44,797,903)	963,105	1,380,913	(21,088,004)
Other Financing Sources (Uses)					
Transfers in	-	40	-	10,287	10,327
Proceeds from new debt	171,375	127,320,000	103,952,440	-	231,443,815
Transfers out	(1,837,817)	-	-	(40)	(1,837,857)
Other uses	-	-	(97,999,356)	-	(97,999,356)
Net Financing Sources (Uses)	(1,666,442)	127,320,040	5,953,084	10,247	131,616,929
Net Change in Fund Balances	19,699,439	82,522,137	6,916,189	1,391,160	110,528,925
Beginning of year, as restated	43,324,768	277,318,496	80,933,413	15,246,828	416,823,505
End of year	<u>\$ 63,024,207</u>	<u>\$ 359,840,633</u>	<u>\$ 87,849,602</u>	<u>\$ 16,637,988</u>	<u>\$ 527,352,430</u>

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, 2021

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

Net change in fund balances - total governmental funds \$ 110,528,925

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	\$ 39,314,207	
Depreciation expense	<u>(33,694,670)</u>	5,619,537

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	(76,124,387)	
OPEB bonds	815,000	
Capital leases	<u>(47,963)</u>	(75,357,350)

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.

1,418,902

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.

25,864

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.

4,876,004

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.

(589,365)

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, 2021

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.	(19,439,032)
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.	(4,030,463)
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>(2,920,958)</u>
Change in net position of governmental activities	<u>\$ 20,132,064</u>

East Side Union High School District
Statement of Net Position – Proprietary Funds
June 30, 2021

	<u>Business-Type Activities- Cafeteria Enterprise Fund</u>	<u>Governmental Activities- Internal Service Fund</u>
Assets		
Current Assets		
Deposits and investments	\$ 3,194,850	\$ 3,684,521
Receivables	920,805	1,061,987
Stores inventories	111,232	-
Total assets	<u>4,226,887</u>	<u>4,746,508</u>
Deferred Outflows of Resources		
Deferred outflows of resources related to OPEB	200,592	-
Deferred outflows of resources related to pensions	962,233	-
Total deferred outflows of resources	<u>1,162,825</u>	<u>-</u>
Liabilities		
Current Liabilities		
Accounts payable	110,615	415,007
Due to other funds	4,116,273	-
Current portion of Claims liability	-	922,000
Total current liabilities	<u>4,226,888</u>	<u>1,337,007</u>
Noncurrent Liabilities		
Net other post-employment benefits liability	661,246	-
Aggregate net pension liability	5,710,571	-
Total noncurrent liabilities	<u>6,371,817</u>	<u>-</u>
Total liabilities	<u>10,598,705</u>	<u>1,337,007</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to OPEB	214,969	-
Deferred inflows of resources related to pensions	178,910	-
Total deferred inflows of resources	<u>393,879</u>	<u>-</u>
Net Position		
Restricted for insurance programs	-	3,409,501
Unrestricted deficit	<u>(5,602,872)</u>	<u>-</u>
Total Net Position	<u>\$ (5,602,872)</u>	<u>\$ 3,409,501</u>

East Side Union High School District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2021

	Business-Type Activities- Cafeteria Enterprise Fund	Governmental Activities- Internal Service Fund
Operating Revenues		
Food sales	\$ 15,383	\$ -
Indistrict contributions	-	12,429,952
Total operating revenues	<u>15,383</u>	<u>12,429,952</u>
Operating Expenses		
Payroll costs	4,042,304	4,548,880
Supplies and materials	827,129	6,375
Equipment rental	2,538	233,389
Claims expense	-	11,612,559
Other operating expenses	220,224	247,862
Total operating expenses	<u>5,092,195</u>	<u>16,649,065</u>
Operating Loss	<u>(5,076,812)</u>	<u>(4,219,113)</u>
Nonoperating Revenues (Expeses)		
Interest income	1,372	1,098,155
Federal grants	3,184,761	-
State grants	470,908	-
Total nonoperating revenues	<u>3,657,041</u>	<u>1,098,155</u>
Transfers In	<u>1,627,530</u>	<u>200,000</u>
Change in Net Position	207,759	(2,920,958)
Beginning of year	<u>(5,810,631)</u>	<u>6,330,459</u>
End of year	<u>\$ (5,602,872)</u>	<u>\$ 3,409,501</u>

East Side Union High School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2021

	Business- Type Activities- Cafeteria Enterprise Fund	Governmental Activities- Internal Service Fund
Operating Activities		
Cash received from user charges	\$ 15,383	\$ -
Cash received from indistrict contributions	-	12,429,952
Cash payments for employee benefits	(4,279,113)	(4,548,880)
Cash payments for insurance claims	-	(10,098,565)
Cash payments to suppliers for goods and services	(697,257)	(6,375)
Cash payments for equipment rental	(2,538)	(233,389)
Cash payments for other operating expenses	(220,224)	(247,862)
	<u>(5,183,749)</u>	<u>(2,705,119)</u>
Net Cash Used for Operating Activities		
Non-capital Financing Activities		
Operating grants and contributions	3,780,270	-
Cash received from general fund	2,036,337	200,000
	<u>5,816,607</u>	<u>200,000</u>
Net Cash from Non-capital Financing Activities		
Investing Activities		
Investment	1,372	40,700
	<u>1,372</u>	<u>40,700</u>
Net Cash Used for Investing Activities		
Net Change in Cash and Cash Equivalents	634,230	(2,464,419)
Beginning of year	2,560,620	6,148,940
	<u>\$ 3,194,850</u>	<u>\$ 3,684,521</u>
End of year		
Reconciliation of Operating Loss to Net Cash used for for operating activities		
Operating loss	\$ (5,076,812)	\$ (4,219,113)
Changes in assets and liabilities		
Prepaid items	-	1,161,361
Stores inventories	70,611	-
Accounts payable	59,261	348,633
Pension, OPEB and related deferred inflows and outflows	(236,809)	-
Claims liabilities	-	4,000
	<u>-</u>	<u>4,000</u>
Net Cash from Used for Operating Activities	<u>\$ (5,183,749)</u>	<u>\$ (2,705,119)</u>

East Side Union High School District
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2021

	<u>Student Scholarship Trust Fund</u>
Assets	
Deposits and investments	\$ 774,497
Liabilities	
Accounts payable	<u>28,000</u>
Net Position	
Restricted for Scholarship purposes	<u><u>\$ 746,497</u></u>

East Side Union High School District
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
Year Ended June 30, 2021

	<u>Student Scholarship Trust Fund</u>
Additions	
Investment income	\$ 187,668
Deductions	
Scholarships awarded	<u>34,710</u>
Change in Fiduciary Net Position	152,958
Beginning of year	<u>593,539</u>
End of year	<u><u>\$ 746,497</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 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.

- *Student Activity Fund* is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- 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.

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

- 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 IA), 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.).

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

- Enterprise 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 Fiduciary Funds are used to account for resources held for the benefit of parties outside the District and are not available to support the District's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

The District operates trust fund type. Trust fund is used to account for resources 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 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. The total compensated absences (vacation) for the District at June 30, 2021, amounted to \$3,237,610.

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, 2021, 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. The District does not have any assigned funds.
- **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 the Current Year

As of June 30, 2021, the District adopted GASB Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's student body activities from fiduciary to governmental. The effect of the implementation of this standard on beginning fund balance and net position (deficit) is disclosed in Note 17.

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, have been implemented as of June 30, 2021.

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

New Accounting Pronouncements

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 June 15, 2021. 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.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. 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.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. 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, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, 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, 2021.
- 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, 2021.
- 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, 2021.

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.

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.

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.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 512,843,623
Proprietary funds	6,879,371
Fiduciary funds	<u>774,497</u>
Total deposits and investments	<u><u>\$ 520,497,491</u></u>

Deposits and investments as of June 30, 2021, consist of the following:

Cash on hand and in banks	\$ 3,094,195
Cash in revolving	40,131
Investments	<u>517,363,165</u>
Total deposits and investments	<u><u>\$ 520,497,491</u></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	\$ 774,497	0.00
Santa Clara County Investment Pool	516,303,252	1.68
Certificate of deposits	285,416	0.44
	<u>\$ 517,363,165</u>	

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, 2021.

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, 2021, the District’s bank balances of \$1,285,295 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the name of the District.

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.

The District’s fair value measurements are as follows at June 30, 2021:

Investment Type	Reported Amount	Fair Value Measurement		Fair Value
		Level 1	Uncategorized	
Mutual funds	\$ 771,665	\$ 774,497	\$ -	\$ 774,497
Santa Clara County Investment Pool	516,383,759	-	516,383,759	518,109,647
Certificates of deposits	285,416	-	285,416	285,416
	<u>\$ 517,440,840</u>	<u>\$ 774,497</u>	<u>\$ 516,669,175</u>	<u>\$ 519,169,560</u>

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

Note 4 - Receivables

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
Federal Government				
Categorical aid	\$ 11,719,602	\$ -	\$ -	\$ 393,399
State Government				
LCFF Apportionment	35,964,459	-	-	-
Categorical aid	1,401,474	-	-	95,292
Lottery	1,485,487	-	-	-
Local Government				
Interest	110,776	604,402	85,722	22,946
Other local sources	3,680,675	-	-	47,624
	<u>\$ 54,362,473</u>	<u>\$ 604,402</u>	<u>\$ 85,722</u>	<u>\$ 559,261</u>

	Total Governmental Funds	Enterprise Fund	Internal Service Fund
Federal Government			
Categorical aid	\$ 12,113,001	\$ 668,498	\$ -
State Government			
Apportionment	35,964,459	-	-
Categorical aid	1,496,766	249,551	-
Lottery	1,485,487	-	-
Local Government			
Interest	823,846	-	-
Other local	3,728,299	2,756	1,061,987
	<u>\$ 55,611,858</u>	<u>\$ 920,805</u>	<u>\$ 1,061,987</u>

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance June 30, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 25,442,454	\$ -	\$ -	\$ 25,442,454
Construction in progress	49,616,295	20,920,545	42,288,354	28,248,486
Total capital assets, not being depreciated	75,058,749	20,920,545	42,288,354	53,690,940
Capital Assets being Depreciated				
Buildings and building improvement	844,487,288	47,452,168	66,482	891,872,974
Site improvement	139,727,558	12,823,640	-	152,551,198
Furniture and equipment	40,493,680	406,208	53,087	40,846,801
Total capital assets, being depreciated	1,024,708,526	60,682,016	119,569	1,085,270,973
Total capital assets	1,099,767,275	81,602,561	42,407,923	1,138,961,913
Less Accumulated Depreciation				
Buildings and building improvement	267,470,995	25,354,441	66,482	292,758,954
Site improvement	39,027,287	6,105,884	-	45,133,171
Furniture and equipment	25,874,041	2,234,345	53,087	28,055,299
Total accumulated depreciation	332,372,323	33,694,670	119,569	365,947,424
Governmental Activities Capital assets, net	\$ 767,394,952	\$ 47,907,891	\$ 42,288,354	\$ 773,014,489

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

Governmental Activities	
Instruction	\$ 21,525,606
Supervision of instruction	2,343,212
Instructional library, media and technology	177,147
School site administration	2,201,843
Home-to-school transportation	445,561
All other pupil services	4,387,481
Ancillary services	436,007
Community services	286,219
Data processing services	250,566
All other administration	1,641,028
Total depreciation expenses - governmental activities	\$ 33,694,670

Note 6 - Interfund Transactions

Interfund Receivables/Payables (Due From/Due To)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2021, are as follows:

Due To	Due From General Fund
Non-Major governmental funds	\$ 216,793
Enterprise fund	4,116,273
Total	\$ 4,333,066

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, 2021, consisted of the following:

Transfers Out	Transfers In				Total
	Building Fund	Non-Major Governmental Fund	Enterprise Fund	Internal Service Fund	
General Fund	\$ -	\$ 10,287	\$ 1,627,530	\$ 200,000	\$ 1,837,817
Non-Major	40	-	-	-	40
Total	\$ 40	\$ 10,287	\$ 1,627,530	\$ 200,000	\$ 1,837,857

The General Fund transferred to Cafeteria Fund for contribution.	\$ 1,627,530
The General Fund transferred to Self Insurance Fund for contribution.	200,000
The County School Facility Fund transferred to Building Fund transferred for reimbursement.	40
The General Fund transferred to Child Development Fund for contribution.	10,287
Total	\$ 1,837,857

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 \$102,030,162 includes the effect of deferring the recognition of loss from advance refunding. The \$6,414,110 balance of the deferred charge on refunding at June 30, 2021, 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, 2021 is as follows:

	Balance June 30, 2020	Additions	Deductions	Balance June 30, 2021
Deferred charge on refunding	\$ 1,538,106	\$ 5,396,969	\$ 520,965	\$ 6,414,110

Note 8 - Accounts Payable

Accounts payable at June 30, 2021, consisted of the following:

	Governmental Funds			
	General Fund	Building Fund	Bond Interest And Redemption Fund	Non-Major Governmental Funds
Vendor payables	\$ 6,292,994	\$ 9,253,779	\$ 26	\$ 755,854
LCFF apportionment	5,725,896	-	-	-
Salaries and benefits	10,581,221	504,872	-	345,424
Total	<u>\$ 22,600,111</u>	<u>\$ 9,758,651</u>	<u>\$ 26</u>	<u>\$ 1,101,278</u>
		Total Governmental Funds	Enterprise Fund	Internal Service Fund
Vendor payables		\$ 16,302,653	\$ 110,615	\$ 415,007
LCFF apportionment		5,725,896	-	-
Salaries and benefits		11,431,517	-	-
Total		<u>\$ 33,460,066</u>	<u>\$ 110,615</u>	<u>\$ 415,007</u>

Note 9 - Unearned Revenue

Unearned revenue at June 30, 2021, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal financial assistance	\$ 4,987,876	\$ 31,087	\$ 5,018,963
State categorical aid	6,088,967	47,846	6,136,813
Other local	1,232,767	-	1,232,767
	\$ 12,309,610	\$ 78,933	\$ 12,388,543

Note 10 - Long-Term Obligations Other than OPEB and Pensions

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, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 888,586,832	\$ 226,445,369	\$ 150,320,982	\$ 964,711,219	\$ 67,084,321
Private placement notes	30,000,000	-	-	30,000,000	2,910,000
Bond premium	58,294,732	6,367,440	6,393,304	58,268,868	5,010,959
OPEB bonds	27,475,000	-	815,000	26,660,000	900,000
Capital leases	238,632	171,375	123,412	286,595	85,911
Compensated absences	2,648,245	782,508	193,143	3,237,610	589,000
Total	\$ 1,007,243,441	\$ 233,766,692	\$ 157,845,841	\$ 1,083,164,292	\$ 76,580,191

Advance Refunding

In the current fiscal year, the District issued \$97,585,000 in general obligation bonds with interest rates ranging from 0.353% to 2.527%. The proceeds were used to advance refund \$89,030,000 of outstanding 2008 Series D general obligation bonds which had interest rates ranging from 2.0% to 5.0%. The net proceeds of \$96,930,172 (after payment of \$654,828 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 2008 Series D 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 \$5,396,969. 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 \$9,520,692 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$654,828.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Title	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding June 30, 2020	Accreted/ Issued	Defeased/ Redeemed	Bonds Outstanding June 30, 2021
Current Interest Bonds							
2003 Refunding	2027	2.0%-5.3%	\$ 97,160,000	\$ 49,330,000	\$ -	\$ 3,495,000	\$ 45,835,000
2006 Refunding	2025	4.0%-5.25%	42,665,000	26,505,000	-	3,740,000	22,765,000
2010 Refunding	2028	2.0%-5.0%	46,160,000	2,800,000	-	2,800,000	-
2008 Series C	2026	4.0%	20,026,088	9,181,708	-	1,415,982	7,765,726
2008 Series D	2043	2.0%-5.0%	100,000,000	94,700,000	-	90,745,000	3,955,000
2008 Series E	2032	3.5%-5.0%	78,970,000	78,970,000	-	3,590,000	75,380,000
2011 Refunding	2022	3.8%-4.6%	20,135,000	4,180,000	-	2,770,000	1,410,000
2012 Refunding	2029	2.0%-5.0%	36,735,000	23,675,000	-	2,200,000	21,475,000
2013 Refunding	2030	3.0%-5.0%	88,145,000	83,920,000	-	4,285,000	79,635,000
2014 Refunding	2036	2.0%-5.0%	41,400,000	33,455,000	-	1,585,000	31,870,000
2012 Series A	2039	2.0%-5.0%	20,000,000	16,035,000	-	535,000	15,500,000
2012 Series B	2036	4.0%-5.0%	100,000,000	90,945,000	-	2,585,000	88,360,000
2015 Refunding	2035	3.0%-5.0%	41,420,000	38,775,000	-	1,350,000	37,425,000
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	30,975,000	-	15,260,000	15,715,000
2014 Series B	2022	2.0%-4.0%	20,000,000	13,300,000	-	6,500,000	6,800,000
2016 Series B	2036	3.0%-5.0%	140,000,000	140,000,000	-	5,700,000	134,300,000
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
2020 Refunding	2036	0.353%-2.527%	97,585,000	-	97,585,000	-	97,585,000
2016 Series C	2035	2.0%-3.0%	12,732,000	-	127,320,000	-	127,320,000
Sub-total				885,661,708	224,905,000	148,555,982	962,010,726
Capital Appreciation Bonds							
2002 Series G	2032	4.6%-6.9%	19,997,739	32,925,124	1,540,369	1,765,000	32,700,493
Total General Obligation Bonds				\$ 918,586,832	\$ 226,445,369	\$ 150,320,982	\$ 994,711,219

Debt Service Requirements to Maturity

The current interest bonds mature through 2043 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2022	\$ 67,084,321	\$ 34,153,001	\$ 101,237,322
2023	61,904,394	32,174,966	94,079,360
2024	63,486,270	29,330,692	92,816,962
2025	78,420,020	26,561,264	104,981,284
2026	62,935,721	23,334,325	86,270,046
2027-31	282,505,000	81,007,888	363,512,888
2032-36	224,565,000	33,019,226	257,584,226
2037-41	77,920,000	6,802,528	84,722,528
2042-43	13,190,000	416,134	13,606,134
Total	\$ 932,010,726	\$ 266,800,024	\$ 1,198,810,750

The private placement notes mature through 2026 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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
Total	\$ 30,000,000	\$ 936,620	\$ 30,936,620

The capital appreciation bonds mature through 2036 as follows:

<u>Fiscal Year</u>	<u>Initial Bond Value</u>	<u>Accreted Interest</u>	<u>Accreted Obligation</u>	<u>Unaccreted Interest</u>	<u>Maturity Value</u>
2022	\$ 1,003,738	\$ 916,262	\$ 1,920,000	\$ -	\$ 1,920,000
2023	1,030,474	954,137	1,984,611	95,389	2,080,000
2024	1,052,972	988,833	2,041,805	203,195	2,245,000
2025	1,072,643	1,015,839	2,088,482	321,518	2,410,000
2026	1,099,410	1,047,046	2,146,456	453,544	2,600,000
2027-31	7,864,312	7,630,048	15,494,360	6,930,640	22,425,000
2032-36	3,549,332	3,475,447	7,024,779	4,430,221	11,455,000
Total	\$ 16,672,881	\$ 16,027,612	\$ 32,700,493	\$ 12,434,507	\$ 45,135,000

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 OPEB bonded debt is as follows:

Mataturity Date	Interest Rate	Original Issue	Bonds Outstanding June 30, 2020	Redeemed	Bonds Outstanding June 30, 2021
2036	5.18%-5.32%	\$ 32,050,000	<u>\$ 27,475,000</u>	<u>\$ 815,000</u>	<u>\$ 26,660,000</u>

Debt Service Requirements to Maturity

The bonds mature through 2036 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
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	1,315,000	1,195,138	2,510,138
2027-31	8,540,000	4,791,724	13,331,724
2032-36	<u>12,610,000</u>	<u>2,111,774</u>	<u>14,721,774</u>
Total	<u>\$ 26,660,000</u>	<u>\$ 13,464,122</u>	<u>\$ 40,124,122</u>

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. The District’s liability on lease agreements with options to purchase is summarized below:

	Various Equipment
Balance, July 1, 2020	\$ 284,501
Additions	166,101
Payments	<u>(121,217)</u>
Balance, June 30, 2021	<u>\$ 329,385</u>

The capital leases have minimum lease payments as follows:

Fiscal Year	Lease Payment
2022	\$ 99,798
2023	99,798
2024	81,033
2025	38,239
2026	10,517
Total	329,385
Less amount representing interest	(42,790)
Present value of minimum lease payments	\$ 286,595

Note 11 - Unrestricted Net Position and Fund Balances

Unrestricted net position of governmental activities at June 30, 2021, is composed of the following elements:

	Governmental Activities
General Fund unrestricted fund balance	\$ 48,054,354
Adult Education unrestricted fund balance	133,867
Self insurance fund balance	3,409,501
Other post-employment benefit revenue bonds	(26,660,000)
Compensated absences	(3,237,610)
Subtotal without the net effect of pension and OPEB liabilities	21,700,112
Net deferred outflows (inflows) of resources from pension activities	70,135,602
Net pension liability	(304,505,829)
Net deferred outflows (inflows) of resources from OPEB activities	(988,950)
Net OPEB liability	(47,226,024)
Total including pension and OPEB liabilities and related deferrals	\$ (260,885,089)

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	\$ 11,500	\$ -	\$ -	\$ 27,670	\$ 39,170
Stores inventories	202,498	-	-	-	202,498
Prepaid items	50,942	340,350	-	11,519	402,811
Total nonspendable	<u>264,940</u>	<u>340,350</u>	<u>-</u>	<u>39,189</u>	<u>644,479</u>
Restricted					
Educational programs	14,969,853	-	-	3,500,338	18,470,191
Capital projects	-	359,500,283	-	12,976,113	372,476,396
Debt services	-	-	87,849,602	-	87,849,602
Total restricted	<u>14,969,853</u>	<u>359,500,283</u>	<u>87,849,602</u>	<u>16,476,451</u>	<u>478,796,189</u>
Committed					
Adult education program	-	-	-	122,348	122,348
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,348</u>	<u>122,348</u>
Unassigned					
Reserve for economic Uncertainty	8,715,395	-	-	-	8,715,395
Remaining unassigned	39,074,019	-	-	-	39,074,019
Total unassigned	<u>47,789,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,789,414</u>
	<u>\$ 63,024,207</u>	<u>\$ 359,840,633</u>	<u>\$ 87,849,602</u>	<u>\$ 16,637,988</u>	<u>\$ 527,352,430</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, 2021, 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 2021, 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, 2019 to June 30, 2021:

	<u>Health Benefits</u>
Liability Balance, July 1, 2019	\$ 1,009,000
Claims and changes in estimates	8,988,516
Claim payments	<u>(9,079,516)</u>
Liability Balance, June 30, 2020	918,000
Claims and changes in estimates	11,616,559
Claim payments	<u>(11,612,559)</u>
Liability Balance, June 30, 2021	<u>\$ 922,000</u>
Assets available to pay claims at June 30, 2021	<u>\$ 4,331,501</u>

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

For the fiscal year ended June 30, 2021, 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	\$ 46,145,104	\$ 13,998,331	\$ 15,001,658	\$ 3,860,881
Medicare Premium Payment (MPP) Program	<u>1,742,166</u>	<u>-</u>	<u>-</u>	<u>205,299</u>
	<u>\$ 47,887,270</u>	<u>\$ 13,998,331</u>	<u>\$ 15,001,658</u>	<u>\$ 4,066,180</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, 2019, the most recent actuarial valuation, the Plan membership consisted of the following:

	<u>Membership</u>
Inactive employees or beneficiaries currently receiving benefits payments	218
Active employees	<u>1,234</u>
	<u><u>1,452</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 \$2,249,151 to the Plan, all of which was used for current premiums.

Actuarial Assumptions

The net OPEB liability in the June 30, 2019 actuarial valuation, and June 30, 2020 measurement date 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	5.5%
Discount rate	2.49%

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%, 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 2.49%. 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 2.49% is the single rate of return at which the actuarial present value of all projected benefit payments equals to the present value of projected benefit payments using the two rates.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2020	\$ 49,667,483	\$ 18,952,431	\$ 30,715,052
Service cost	2,588,263	-	2,588,263
Interest	1,646,121	-	1,646,121
Changes in assumptions	8,275,864	-	8,275,864
Difference between actual and expected experience	2,073,175	-	2,073,175
Contributions-employer	-	(745,635)	745,635
Net investment income	-	(83,699)	83,699
Administrative expense	-	(17,295)	17,295
Benefit payments	(3,070,573)	(3,070,573)	-
Net change in total OPEB liability	11,512,850	(3,917,202)	15,430,052
Balance at June 30, 2021	<u>\$ 61,180,333</u>	<u>\$ 15,035,229</u>	<u>\$ 46,145,104</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.42% in 2019 valuation to 2.49% in the 2020 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 (1.49%)	\$ 52,189,070
Current discount rate (2.49%)	46,145,104
1% increase (3.49%)	40,719,292

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 (4.5%)	\$ 39,418,361
Current healthcare cost trend rate (5.5%)	46,145,104
1% increase (6.5%)	54,087,645

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$3,860,881.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 9,835,480	\$ (3,552,802)
Difference between actual and expected experience	1,913,700	(11,029,903)
Contributions subsequent to measurement date	2,249,151	-
Net difference between projected and actual earnings on OPEB plan investments	-	(418,953)
	\$ 13,998,331	\$ (15,001,658)

Contributions paid subsequent to the measurement date will be recognized in OPEB expense in fiscal year ending 2022. 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
2022	\$ (866,938)
2023	(508,212)
2024	(317,681)
2025	(247,022)
2026	(380,225)
Thereafter	(932,400)
	\$ (3,252,478)

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, 2019 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, 2021, the District reported a liability of \$1,742,166 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020 and June 30, 2019, respectively, was 0.4111%, and 0.3974%, resulting in a net increase in the proportionate share of 0.0137%. For the year ended June 30, 2021, the District recognized OPEB expense of \$205,299.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

	Medicare Premium Payment Program	
Measurement Date	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2018
Experience Study	June 30, 2014 through June 30, 2018	June 30, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Reate of Return	2.21%	3.50%
Medicare Part A Premium Cost Trend Rate	4.50%	3.70%
Medicare Part B Premium Cost Trend Rate	5.40%	4.10%

For the valuation as of June 30, 2019, 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% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) 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. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18% of the potentially eligible population (159,339).

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, 2020, 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, 2020 and 2019 was 2.21% and 3.50%, 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 2.21% and 3.50%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020 and 2019, 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 (1.21%)	\$ 1,926,449
Current discount rate (2.21%)	1,742,166
1% increase (3.21%)	1,585,354

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

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 1,579,681
Current discount rate (4.50% Part A and 5.40% Part B)	1,742,166
1% increase (5.50% Part A and 6.40% Part B)	1,929,216

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, 2021, 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:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 228,636,812	\$ 76,415,066	\$ (16,686,474)	\$ 33,424,719
CalPERS	81,579,588	13,746,186	(2,555,853)	14,979,296
	<u>\$ 310,216,400</u>	<u>\$ 90,161,252</u>	<u>\$ (19,242,327)</u>	<u>\$ 48,404,015</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, 2019, 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% 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, 2021 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	16.15%	16.15%
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% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District’s total contributions were \$21,393,958.

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

At June 30, 2021, 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	\$ 228,636,812
State's proportionate share of the net pension liability associated with the District	<u>117,862,304</u>
Total net pension liability, including State share	<u><u>\$ 346,499,116</u></u>

The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, respectively was 0.2359% and 0.2247%, resulting in a net increase in the proportionate share of 0.0112%.

For the year ended June 30, 2021, the District recognized pension expense of \$33,424,719. In addition, the District recognized pension expense and revenue of \$16,511,352 for support provided by the State. At June 30, 2021, 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	\$ 21,393,958	\$ -
Net change in proportionate share of net pension liability	26,891,247	(10,238,524)
Difference between projected and actual earnings on pension plan investments	5,431,095	-
Differences between expected and actual experience	403,439	(6,447,950)
Changes of assumptions	<u>22,295,327</u>	<u>-</u>
	<u><u>\$ 76,415,066</u></u>	<u><u>\$ (16,686,474)</u></u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows (inflows) of resources related to the difference between projected and actual earnings on pension plan investments 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>
2022	\$ (3,314,021)
2023	1,850,473
2024	3,691,903
2025	3,202,740
	<u>\$ 5,431,095</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>
2022	\$ 8,566,457
2023	5,535,198
2024	10,078,830
2025	2,410,450
2026	2,933,607
Thereafter	3,378,997
	<u>\$ 32,903,539</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, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
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% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) 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 January 2020 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, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	1.3%
Private equity	13%	3.6%
Fixed income	12%	6.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. 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%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 345,438,374
Current discount rate (7.10%)	228,636,812
1% increase (8.10%)	132,200,674

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 regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 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, 2021, 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	20.70%	20.70%

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, 2021, are presented above and the total District contributions were \$7,702,705.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$81,579,588. The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, respectively was 0.2659% and 0.2637%, resulting in a net increase in the proportionate share of 0.0022%.

East Side Union High School District

Notes to Financial Statements

June 30, 2021

For the year ended June 30, 2021, the District recognized pension expense of \$14,976,296. At June 30, 2021, 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	\$ 7,702,705	\$ -
Net change in proportionate share of net pension liability	-	(2,555,853)
Difference between projected and actual earnings on pension plan investments	1,698,228	-
Differences between expected and actual experience in the measurement of the total pension liability	4,046,097	-
Changes of assumptions	299,156	-
	\$ 13,746,186	\$ (2,555,853)

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
2022	\$ (635,512)
2023	566,854
2024	985,287
2025	781,599
	\$ 1,698,228

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:

Year Ended June 30,	Deferred Outflows of Resources
2022	\$ 1,343,925
2023	555,136
2024	(93,144)
2025	(16,517)
	\$ 1,789,400

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, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
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% 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%. 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%)	\$ 117,285,534
Current discount rate (7.15%)	81,579,588
1% increase (8.15%)	51,945,445

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% of the employee’s gross earnings towards social security.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$13,338,515, \$15,442,135, \$13,828,479 (8.328, 8.487, and 9.828% of annual payroll) for the years ending June 30, 2021, **2020** and 2019, 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, 2021, the District made payments of \$2,117,230 and \$3,294,696 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, 2021.

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, 2021.

Construction Commitments

As of June 30, 2021, the District had construction commitments in the amount of \$20,696,618.

Note 17 - Restatement of Prior Year Net Position (Deficit) and Fund Balance

As of June 30, 2021, the East Side Union High School District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity previously reported as fiduciary funds to a governmental fund – Student Activity Fund. The following table describes the effects of the implementation on beginning fund balance/net position (deficit).

	Non-Major Governmental Funds	Total Governmental Funds
Beginning Fund Balance previously reported at June 30, 2020	\$ 13,000,909	\$ 414,577,586
Reclassification of student activity funds from agency funds to a special revenue fund	2,245,919	2,245,919
Fund Balance - Beginning as Restated June 30, 2020	\$ 15,246,828	\$ 416,823,505
Governmental Activities		
Beginning Net Position (Deficit) Governmental Activities previously reported at June 30, 2020		\$ (92,681,472)
Reclassification of student activity funds from agency funds to a special revenue fund		2,245,919
Net Position (Deficit) - Beginning as Restated		\$ (90,435,553)

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Required Supplementary Information
June 30, 2021

East Side Union High School District

East Side Union High School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance
	Revised	Final		Final to Actual
Revenues				
Local control funding formula	\$ 238,238,096	\$ 237,829,294	\$ 238,078,777	\$ 249,483
Federal sources	28,787,287	38,695,881	27,454,544	(11,241,337)
Other State sources	23,651,978	24,260,576	34,362,165	10,101,589
Other local sources	16,352,172	10,769,779	10,317,107	(452,672)
Total revenues	<u>307,029,533</u>	<u>311,555,530</u>	<u>310,212,593</u>	<u>(1,342,937)</u>
Expenditures				
Current				
Certificated salaries	131,932,215	129,225,633	129,385,450	(159,817)
Classified salaries	32,549,804	30,977,451	30,466,989	510,462
Employee benefits	84,313,209	80,388,802	80,415,338	(26,536)
Books and supplies	5,404,407	9,362,400	8,351,547	1,010,853
Services and operating expenditures	32,748,404	28,813,779	29,844,381	(1,030,602)
Other outgo	9,011,287	8,338,465	7,895,576	442,889
Capital outlay	206,906	101,758	88,490	13,268
Debt service - principal	815,000	815,000	938,412	(123,412)
Debt service - interest	1,460,529	1,460,529	1,460,529	-
Total expenditures ¹	<u>298,441,761</u>	<u>289,483,817</u>	<u>288,846,712</u>	<u>637,105</u>
Excess of Expenditures (over) under Revenues	<u>8,587,772</u>	<u>22,071,713</u>	<u>21,365,881</u>	<u>(705,832)</u>
Other Financing Uses				
Other sources	-	-	171,375	171,375
Transfers out	(2,601,815)	(1,559,015)	(1,837,817)	(278,802)
Total other financing	<u>(2,601,815)</u>	<u>(1,559,015)</u>	<u>(1,666,442)</u>	<u>(107,427)</u>
Net Change in Fund Balance	5,985,957	20,512,698	19,699,439	(813,259)
Fund Balance, Beginning of Year	<u>43,324,768</u>	<u>43,324,768</u>	<u>43,324,768</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 49,310,725</u>	<u>\$ 63,837,466</u>	<u>\$ 63,024,207</u>	<u>\$ (813,259)</u>

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

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 2,588,263	\$ 2,248,906	\$ 2,197,246	\$ 2,377,401
Interest	1,646,121	1,788,510	2,259,566	2,065,888
Changes of assumptions	8,275,864	2,562,259	(677,554)	(4,253,271)
Differences between actual and expected experience	2,073,175	-	(14,038,060)	-
Benefit payments	(3,070,573)	(3,513,998)	(4,311,762)	(4,429,331)
Net change in total OPEB liability	11,512,850	3,085,677	(14,570,564)	(4,239,313)
Total OPEB liability - beginning	49,667,483	46,581,806	61,152,370	65,391,683
Total OPEB liability - ending (a)	<u>\$ 61,180,333</u>	<u>\$ 49,667,483</u>	<u>\$ 46,581,806</u>	<u>\$ 61,152,370</u>
Plan Fiduciary Net Position				
Employers contribution	\$ (745,635)	\$ (1,842,310)	\$ 2,649,475	\$ 690,995
Net investment income	(83,699)	1,273,435	1,829,471	2,580,729
Administrative expense	(17,295)	(21,481)	(23,095)	-
Benefit payments	(3,070,573)	(3,513,998)	(4,311,762)	(4,429,331)
Net change in fiduciary net position	(3,917,202)	(4,104,354)	144,089	(1,157,607)
Fiduciary net position - beginning	18,952,431	23,056,785	22,912,696	24,070,303
Fiduciary net position - ending (b)	<u>\$ 15,035,229</u>	<u>\$ 18,952,431</u>	<u>\$ 23,056,785</u>	<u>\$ 22,912,696</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 46,145,104</u>	<u>\$ 30,715,052</u>	<u>\$ 23,525,021</u>	<u>\$ 38,239,674</u>
Plan fiduciary net position as a percentage of the total OPEB liability	24.58%	38.16%	49.50%	37.47%
Covered-employee payroll	\$ 173,491,372	\$ 170,544,906	\$ 164,715,470	\$ 164,083,302
District's net OPEB liability as a percentage of covered-employee payroll	26.60%	18.01%	14.28%	23.31%
Measurement date	7/1/2020	7/2/2019	7/2/2018	7/1/2017

*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 District Contributions for OPEB
Last Ten Fiscal Years*

	2021	2020	2019	2018
Actuarially determined contribution	\$ 2,249,151	\$ 2,424,430	\$ 3,099,923	\$ 2,649,475
Contribution in relation to the actuarially determined contribution	(2,249,151)	(2,424,430)	(3,099,923)	(2,649,475)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$172,104,342	\$173,491,372	\$170,544,906	\$164,715,470
Contributions as a percentage of covered payroll	1.3%	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 District's Proportionate Share of the Net OPEB Liability – MPP Program
Last Ten Fiscal Years*

	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.4111%	0.3974%	0.4015%	0.41290%
District's proportionate share of the net OPEB liability	1,742,166	1,536,867	\$ 1,536,867	\$ 1,736,987
District's covered payroll	N/A**	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**	N/A**
Measurement date	6/30/2020	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 District's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years*

	June 30, 2021	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalSTRS							
District's proportion of the net pension liability (asset)	0.23590%	0.22470%	0.22370%	0.22804%	0.22075%	0.25993%	0.23020%
District's proportionate share of the net pension liability (asset)	\$ 228,636,812	\$ 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 (asset) associated with the District	117,862,304	110,703,906	117,711,769	124,761,967	101,643,329	92,552,179	81,229,677
Total	<u>\$ 346,499,116</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>\$ 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>	<u>\$ 102,842,026</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - payroll	180.87%	164.43%	168.88%	172.05%	149.61%	157.42%	130.80%
Plan fiduciary net position as a percentage of the total pension liability	72%	71%	71%	69%	70%	74%	77%
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS							
District's proportion of the net pension liability (asset)	0.26590%	0.26370%	0.26808%	0.28384%	0.28983%	0.28613%	0.26448%
District's proportionate share of the net pension liability (asset)	<u>\$ 81,579,588</u>	<u>\$ 76,863,806</u>	<u>\$ 71,477,427</u>	<u>\$ 67,760,813</u>	<u>\$ 57,240,552</u>	<u>\$ 42,175,303</u>	<u>\$ 30,024,754</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>	<u>\$ 27,540,541</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - payroll	213.91%	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%	71%	72%	74%	79%	83%
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

*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 the District's Contributions for Pensions
Last Ten Fiscal Years*

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
CalSTRS							
Contractually required contribution	\$ 21,393,958	\$ 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>(21,393,958)</u>	<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>	<u>\$ -</u>
District's covered payroll	<u>\$ 125,110,865</u>	<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>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	\$ 7,702,705	\$ 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>(7,702,705)</u>	<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>	<u>\$ -</u>
District's covered payroll	<u>\$ 39,058,390</u>	<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>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 does not change from 2018 to 2019; Discount rate change from 3.99% at June 30, 2018 to 3.42% at June 30, 2019 to 2.49% at June 30, 2020; Healthcare cost trend rate change from 6.0% -5.5% at June 30, 2018 to 5.5% at June 30, 2019.

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.50% to 2.21% since the previous valuation.

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 District Contributions for Pension

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.

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Supplementary Information
June 30, 2021

East Side Union High School District

East Side Union High School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education			
COVID-19, Elementary and Secondary School Emergency Relief (ESSER) Fund			
ESSER I	84.425	15536	\$ 3,412,004
ESSER II	84.425D	15547	857,290
COVID-19, Governor's Emergency Education Relief (GEER) Fund			
Learning Loss Mitigation	84.425C	15517	<u>1,085,626</u>
Subtotal			<u>5,354,920</u>
Adult Education - Basic Grants to States			
Adult Basic Education and English as Second Language	84.002	14508	600,710
Adult Secondary Education	84.002	13978	166,456
English Literacy and Civics Education - Local Grant	84.002	14109	<u>5,488</u>
Subtotal			<u>772,654</u>
Career and Technical Education - Basic Grants to State			
Secondary	84.048	14894	181,558
Perkins Career and Technical Education Improvement	84.048	14893	<u>63,119</u>
Subtotal			<u>244,677</u>
Special Education Cluster			
Special Education Grants to States			
Basic Local Assistance Entitlement	84.027	13379	4,120,205
Local Assistance, Private School ISPs	84.027	10115	1,685
Preschool Grants	84.173	13007	19,212
Mental Health Services	84.027	15197	<u>251,892</u>
Total Special Education Cluster			<u>4,392,994</u>
Title I, Grants to Local Educational Agencies			
Migrant Education State Grant Program	84.010	14329	4,077,151
Supporting Effective Instruction State Grants	84.011	14838	179,609
Student Support and Academic Enrichment Program	84.367	14341	476,448
English Language Acquisition State Grants	84.424	15396	461,714
Department of Rehab: Workability II, Transition Partnership	84.365	14346	346,100
	84.126	10006	<u>307,926</u>
Total U.S. Department of Education			<u>16,614,193</u>
U.S. Department of Health and Human Services Human Services			
Passed through California Department of Education			
The Child Care and Development Fund (CCDF) Cluster			
COVID-19, Child Care and Development Block Grant	93.575	15555	64,304
Child Care Mandatory and Matching Funds of the Child Care Development	93.596	13609	<u>396,586</u>
CCDF Cluster			<u>460,890</u>
Total U.S. Department of Health and Human Services			<u>460,890</u>

East Side Union High School District
Schedule of Expenditures of Federal Awards, continued
Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	2,011,939
Basic School Breakfast	10.553	13568	237,199
Special Milk Program for Children	10.556	13392	<u>5,404</u>
Total Child Nutrition Cluster			2,254,542
COVID-19, Child and Adult Care Food Program	10.558	13393	<u>930,219</u>
Total U.S. Department of Agriculture			<u>3,184,761</u>
U.S. Department of Treasury			
Passed through California Department of Education			
COVID-19, Coronavirus Relief Fund			
Learning Loss Mitigation	21.019	25516	<u>11,391,884</u>
Total U.S. Department of Treasury			<u>11,391,884</u>
U.S. Department of Defense			
Direct Award			
ROTC Language and Culture Training Grants	12.357	[1]	<u>223,939</u>
Total U.S. Department of defense			<u>223,939</u>
Total Federal Financial Assistance			<u><u>\$ 31,875,667</u></u>

[1] Federal Financial Assistance Listing/Federal CFDA Number not 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>
Van T. Le	President	2022
J. Manuel Herrera	Vice President	2022
Lorena Chavez	Clerk	2022
Pattie Cortese	Member	2024
Bryan Do	Member	2024

Administration

Glenn Vander Zee	Acting Superintendent
Chris Jew	Associate Superintendent of Business Services
Teresa Marquez	Associate Superintendent of Educational Services
Tom Huynh	Acting Associate Superintendent of Human Resources

East Side Union High School District
 Schedule of Instructional Time
 Year Ended June 30, 2021

Grade Level	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Grades 9 - 12					
Grade 9	180	N/A	-	180	Complied
Grade 10	180	N/A	-	180	Complied
Grade 11	180	N/A	-	180	Complied
Grade 12	180	N/A	-	180	Complied

East Side Union High School District
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
 Year Ended June 30, 2021

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

	Non-Major Governmental Funds	Business-Type Activities- Cafeteria Enterprise Fund
Fund Balance		
Balance, June 30, 2021, Unaudited Actuals	\$ 14,498,214	\$ (1)
To record beginning fund balance and current year activities in the Student Activity Fund resulted from GASB 84 implementation, see Note 1 and Note 17 for more detail.	2,139,774	-
As required by GASB 68, the recording of deferred inflows, outflows of resources, and liabilities related to pensions	-	(5,602,871)
Balance, June 30, 2021, Audited Financial Statement	\$ 16,637,988	\$ (5,602,872)

East Side Union High School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2021

	Budgeted 2022 ¹	Actual 2021	Actual 2020	Actual 2019
General Fund				
Revenues	\$ 281,508,800	\$ 310,212,593	\$ 291,025,892	\$ 298,618,732
Other sources and transfers in	115,000	171,375	23,970	8,590,792
Total revenues and other sources	<u>281,623,800</u>	<u>310,383,968</u>	<u>291,049,862</u>	<u>307,209,524</u>
Expenditures	298,765,260	288,846,712	285,993,518	299,303,673
Other uses and transfers out	975,937	1,837,817	1,987,800	2,779,147
Total expenditures and other uses	<u>299,741,197</u>	<u>290,684,529</u>	<u>287,981,318</u>	<u>302,082,820</u>
Changes in Fund Balance	<u>\$ (18,117,397)</u>	<u>\$ 19,699,439</u>	<u>\$ 3,068,544</u>	<u>\$ 5,126,704</u>
Ending Fund Balance	<u>\$ 44,906,810</u>	<u>\$ 63,024,207</u>	<u>\$ 43,324,768</u>	<u>\$ 40,256,224</u>
Available Reserves ²	<u>\$ 29,672,017</u>	<u>\$ 47,789,414</u>	<u>\$ 37,233,548</u>	<u>\$ 35,712,941</u>
Available Reserves as a percentage of total Outgo	<u>9.90%</u>	<u>16.44%</u>	<u>12.93%</u>	<u>11.82%</u>
Long-Term Obligations	<u>\$ 1,364,687,771</u>	<u>\$ 1,441,267,962</u>	<u>\$ 1,319,274,582</u>	<u>\$ 1,334,176,674</u>
Average Daily Attendance At P-2	<u>20,764</u>	<u>21,484</u>	<u>21,484</u>	<u>21,440</u>

The General Fund balance has increased by \$22,767,983 over the past two years. The fiscal year 2021-22 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 all of the past three years, but anticipates operating deficit during the 2021-22 fiscal year. Total long-term obligations have increased by \$107,091,288 over the past two years.

Average daily attendance has decreased by 44 over the past two years. A decrease of 720 ADA is anticipated during fiscal year 2021-22.

¹ Budget 2022 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

East Side Union High School District
 Schedule of Charter Schools
 Year Ended June 30, 2021

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

East Side Union High School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2021

	Student Activity Fund	Adult Education Fund	Child Development Fund	Capital Facilities Fund	County School Facilities Fund	Total Non-Major Governmental Funds
Assets						
Deposits and investments	\$ 2,289,607	\$ 998,625	\$ 1,078,294	\$ 13,073,710	\$ -	\$ 17,440,236
Receivables	-	476,144	60,171	22,946	-	559,261
Prepaid expenses	-	11,519	-	-	-	11,519
Stores inventories	9,123	-	-	-	-	9,123
Other current assets	14,853	-	-	-	-	14,853
	<u>2,313,583</u>	<u>1,486,288</u>	<u>1,138,465</u>	<u>13,096,656</u>	<u>-</u>	<u>18,034,992</u>
Total assets	\$ 2,313,583	\$ 1,486,288	\$ 1,138,465	\$ 13,096,656	\$ -	\$ 18,034,992
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ 137,996	\$ 842,739	\$ 120,543	\$ -	\$ 1,101,278
Due to other funds	-	-	216,793	-	-	216,793
Unearned revenue	-	-	78,933	-	-	78,933
	<u>-</u>	<u>137,996</u>	<u>1,138,465</u>	<u>120,543</u>	<u>-</u>	<u>1,397,004</u>
Total liabilities	-	137,996	1,138,465	120,543	-	1,397,004
Fund Balances						
Nonspendable	27,670	11,519	-	-	-	39,189
Restricted	2,285,913	1,214,425	-	12,976,113	-	16,476,451
Committed	-	122,348	-	-	-	122,348
	<u>2,313,583</u>	<u>1,348,292</u>	<u>-</u>	<u>12,976,113</u>	<u>-</u>	<u>16,637,988</u>
Total fund balances	2,313,583	1,348,292	-	12,976,113	-	16,637,988
Total Liabilities and Fund Balances	\$ 2,313,583	\$ 1,486,288	\$ 1,138,465	\$ 13,096,656	\$ -	\$ 18,034,992

East Side Union High School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2021

	Student Activity Fund	Adult Education Fund	Child Development Fund	Capital Facilities Fund	County School Facilities Fund	Total Non-Major Governmental Funds
Revenues						
Federal sources	\$ -	\$ 772,654	\$ 463,708	\$ -	\$ -	\$ 1,236,362
Other State sources	-	7,503,490	1,947,414	-	-	9,450,904
Other local sources	816,636	11,365	(11,327)	2,098,611	40	2,915,325
Total revenues	816,636	8,287,509	2,399,795	2,098,611	40	13,602,591
Expenditures						
Current						
Instruction	-	3,778,932	-	-	-	3,778,932
Instruction-related activities:						
Supervision of instruction	-	415,488	-	-	-	415,488
Instructional library and technology	-	53,883	-	-	-	53,883
School site administration	-	2,481,495	119,472	-	-	2,600,967
Pupil services:						
All other pupil services	-	315,544	-	-	-	315,544
Administration:						
All other administration	-	313,867	16,682	-	-	330,549
Maintenance and operations	-	330,636	30,495	-	-	361,131
Ancillary services	748,972	-	-	-	-	748,972
Community services	-	-	2,254,760	-	-	2,254,760
Capital outlay	-	-	-	1,361,452	-	1,361,452
Total expenditures	748,972	7,689,845	2,421,409	1,361,452	-	12,221,678
Excess (Deficiency) of						
Revenues Over Expenditures	67,664	597,664	(21,614)	737,159	40	1,380,913
Other Financing Sources						
Transfers in	-	-	10,287	-	-	10,287
Transfers out	-	-	-	-	(40)	(40)
Total other financing sources	-	-	10,287	-	(40)	10,247
Net Change in Fund Balances	67,664	597,664	(11,327)	737,159	-	1,391,160
Fund Balance, Beginning, as restated	2,245,919	750,628	11,327	12,238,954	-	15,246,828
Fund Balance, End	\$ 2,313,583	\$ 1,348,292	\$ -	\$ 12,976,113	\$ -	\$ 16,637,988

See Notes to Supplementary Information

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the East Side Union High School District (the District) under programs of the federal government for the year ended June 30, 2021. The information 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). Because the schedule presents only a selected portion of the operations of the East Side Union High School District, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of East Side Union High School District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the *modified accrual basis of accounting*. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District does not draw for indirect administrative expenses and has not elected to use the ten percent de minimus cost rate.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and in Business-Type Activities, and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	Federal Financial Assistance Listing/ Federal CFDA Number	Amount
Total Federal revenues reported on Governmental Funds Statements	various	\$ 28,690,906
Enterprise Fund Statement	10.553, 10.555, and 10.556	<u>3,184,761</u>
Total Schedule of Expenditures of Federal Awards		<u><u>\$ 31,875,667</u></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 Instructional Time

This schedule presents information on the number of instructional days offered by the District and whether the District complied with the provisions of *Education Code* Section 43504.

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, 2021

East Side Union High School District

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**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with 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, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise East Side Union High School District’s basic financial statements and have issued our report thereon dated January 28, 2022.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 17 to the financial statements, East Side Union High School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Side Union High School District’s internal control over financial reporting (internal control) 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 East Side Union High School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of East Side Union High School District’s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Side Union High School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Menlo Park, California
January 28, 2022



Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited East Side Union High School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of East Side Union High School District's major federal programs for the year ended June 30, 2021. East Side Union High School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of East Side Union High School District's compliance.

Opinion on Each Major Federal Program

In our opinion, East Side Union High School District's 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, 2021.

Report on Internal Control over Compliance

Management of East Side Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered East Side Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the East Side Union High School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 28, 2022



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 (the District) compliance with the types of compliance requirements described in the *2020-2021 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, 2021.

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 *2020-2021 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.

Compliance Requirements Tested

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

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
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
K-3 Grade Span Adjustment	No, see below
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	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter School Facility Grant Program	No, see below

Kindergarten Continuance

The District does not offer kindergarten instruction; therefore, we did not perform procedures related to Kindergarten Continuance.

Early Retirement Incentive

The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

K-3 Grade Span Adjustment

The District has only grades 9 - 12; therefore, we did not perform procedures related to K-3 Grade Span Adjustment.

Apprenticeship: Related and Supplemental Instruction

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

District of Choice

We did not perform District of Choice procedures because the program is not offered by the District.

California Clean Energy Jobs Act

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

Independent Study - Course Based

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

Charter Schools

The Charter Schools are independent of the District; therefore, we did not perform any procedures related to charter schools.

Unmodified Opinion

In our opinion, East Side Union High School District complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Menlo Park, California
January 28, 2022

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Schedule of Findings and Questioned Costs
June 30, 2021

East Side Union High School District

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major federal programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
Special Education Cluster	84.027, 84.173
COVID-19, Elementary and Secondary School Emergency Relief (ESSER) ESSER I and ESSER II	84.425, 84.425D
COVID-19, Governor's Emergency Education Relief (GEER) Learning Loss Mitigation	84.425C
COVID-19, Child and Adult Care Food Program (CACFP)	10.558
COVID-19, Coronavirus Relief Fund - Learning Loss Mitigation (CRF)	21.019
Dollar threshold used to distinguish between Type A and Type B programs	\$1,223,823
Auditee qualified as low-risk auditee?	Yes

State Compliance

Type of auditor's report issued on compliance for all State programs	Unmodified
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None reported.

None reported.

None reported.

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