Financial Statements
June 30, 2023

East Side Union High School District

Financial Section

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Side Union High School District (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, general fund budgetary comparison information, schedule of changes in the net OPEB liability and related ratios, schedule of the District's contributions for OPEB, schedule of the District's proportionate share of the net pension liability, and the schedule of the District's contributions for pensions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The, schedule of expenditures of federal awards as required by 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), LEA organization structure, schedule of average daily attendance, schedule of instructional time, reconciliation of the annual financial and budget report with audited financial statements, schedule of financial trends and analysis, schedule of charter schools, and the combining nonmajor funds balance sheets and income statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the schedule of expenditures of federal, LEA organization structure, schedule of average daily attendance, schedule of instructional time, reconciliation of the annual financial and budget report with audited financial statements, schedule of financial trends and analysis, schedule of charter schools, and the combining nonmajor funds balance sheets and income statements 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 our report dated December 13, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 District's internal control over financial reporting and compliance.

Eide Bailly LLP

Menlo Park, California
December 13, 2023

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, 2023. 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 $47.6 million, with most of that increase reported in our capital projects funds due to the issuance of bonds.
- Capital assets increased by $20.1 which is comprised of $66.3 million in capital asset additions, which was offset by depreciation of $35.1 million.
- The District's long-term debt, other than claim liability, pension, and other post-employment benefit (OPEB) liabilities, decreased by $27.0 million mainly due to repayment of principal. Net pension and OPEB liabilities increased by $88.0 million, mainly due to changes in earnings related to those plans with CalPERS and CalSTRS. The $27.0 million was also offset by principal payments, including the refunded debt, in the amount of $81.2 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 operating grants, which were received from federal and state sources, increased by $25.6 million mainly due to one-time COVID-19 emergency funds.
- The District's instructional related expenses increased by $30.6 million due to instructional salaries and support for learning and wellness.
- The District's state aid, including Education Protection Act (EPA), increased by $11.1 million due to increases related to Cost of Living Adjustments (COLA) 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.

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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, right-to-use leased assets, and right-to-use subscription information technology (IT) 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.

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

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

The District maintains nine governmental funds organized according to their source of funding. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the: (1) General Fund, (2) Building Fund, (3) Bond Interest and Redemption Fund, (4) and six other nonmajor funds that accounts for restricted or committed funds for capital or maintenance or educational programs. The basic governmental fund financial statements can be found on pages 14-25 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 and internal service funds.

The proprietary fund financial statements can be found on pages 21-23 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 24-25 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 26-66 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 67-73 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 fund statements and schedules can be found on pages 82-83 of this report.

Government-Wide Overall Financial Analysis

Net Position

The District reported a net position of $68.9 million and $36.6 million deficit for the fiscal years ended June 30, 2023 and 2022, 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	
	2023	2022	2023	2022
Current and Other Assets	$ 550,209,962	$ 502,517,025	$ 3,039,110	$ 1,536,506
Capital Assets	817,339,031	797,228,839	-	-
Total assets	1,367,548,993	1,299,745,864	3,039,110	1,536,506
Total deferred outflows	98,868,084	93,931,893	2,588,704	357,463
Current Liabilities	64,060,014	63,790,182	112,418	277,977
Long-Term Obligations	979,887,755	1,006,889,742	-	-
Net Other Post-Employment	44,693,298	47,059,487	831,042	859,064
Aggregate Net Pension Liability	247,397,665	156,730,272	7,136,965	6,967,501
Total liabilities	1,336,038,732	1,274,469,683	8,080,425	8,104,542
Total deferred inflows	58,174,704	147,232,844	851,814	2,339,325
Net position (deficit)				
Net investment in capital assets	206,128,776	122,200,555	-	-
Restricted	69,327,947	84,496,907	-	-
Unrestricted	(203,253,082)	(234,722,232)	(3,304,425)	(8,549,898)
Total net position (deficit)	$ 72,203,641	$ (28,024,770)	$ (3,304,425)	$ (8,549,898)

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 is information from the Statement of Activities by revenues and expenses.

Table 2

	Governmental Activities		Business-Type Activities	
	2023	2022	2023	2022
Revenues				
Program Revenues				
Charges for services and sales	$ 279,465	$ 466,059	$ 76,530	$ 21,593
Operating grants and contributions	99,280,591	72,917,346	11,061,340	10,428,914
Capital grants and contributions	2,359,060	-	-	-
General Revenues				
State and federal sources	153,659,305	144,724,303	-	-
Taxes	262,899,470	214,531,795	-	-
Other general revenues	14,800,842	10,969,519	(132,921)	(29,553)
Total revenues	533,278,733	443,609,022	11,004,949	10,420,954
Expenses				
Instruction related	274,865,811	244,235,195	-	-
Student support services	57,246,726	53,577,915	-	-
Administration	17,096,293	14,938,158	-	-
Maintenance and operations	37,605,454	39,519,637	-	-
Other outgo	7,870,665	6,929,349	-	-
Food services	-	-	5,759,476	13,367,980
All other services	38,365,373	42,130,049	-	-
Total expenses	433,050,322	401,330,303	5,759,476	13,367,980
Change in net position	$ 100,228,411	$ 42,278,719	$ 5,245,473	$ (2,947,026)

Governmental Activities

As reported in the Statement of Activities in the financial statements, the cost of all of our governmental activities this year was $433.1 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $262.9 million because the cost was paid by those who benefited from the programs $0.3 million or by other governments and organizations who subsidized certain programs with operating and capital grants and contributions $101.6 million. We paid for the remaining public benefit portion of our governmental activities with $168.5 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 placed on the District's taxpayers by each function. Providing this information allows our citizens to consider the cost of each function compared to the benefits they believe are provided by that function. During the year, there was a decrease in maintenance and operations as COVID funding provided to the District was reduced, and it was one-time funding that has been exhausted and projects completed related to the work. There was an increase in instruction and related activities due to support for students in the classroom. Interest decreased related to low-interest rates. All other functions are fairly consistent with the prior year.

Table 3

	2023	2022
Instruction and related activities	$ 194,949,214	$ 192,582,450
Pupil services	45,905,310	42,886,046
General administration	14,636,875	12,145,788
Maintenance and operations	36,871,743	38,507,316
Interest	26,230,817	32,485,756
Other	12,537,247	9,339,542
Totals	$ 331,131,206	$ 327,946,898

The District's Funds

As the District completed this year, our governmental funds reported a combined fund balance of $486.2 million, which was an increase of $45.0 million from last year. The General Fund reported an increase in fund balance of $45.5 million. The Building Fund reported an decrease in fund balance of $9.6 million mainly due to construction activities. The Bond Interest and Redemption Fund reported an increase in fund balance for $9.0 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 $0.1 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 2022. (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 67).

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 Average Daily Attendance (ADA) base is $10,119 and supplemental per ADA is $1,272 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 696 from 2021-22 of 21,844 to 21,148 in 2022-23. Second period average daily attendance (commonly known as P-2 ADA) was 19,307 in 2022-23.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2023, the District governmental activities had $817.3 million in a broad range of capital assets. This amount represents a net increase (including additions, deductions and depreciation) of $20.1 million, or 2.5%, from last year.

Table 4

	Governmental Activities	
	2023	2022
Land	$ 25,442,454	$ 25,442,454
Construction in progress	100,075,367	64,738,069
Buildings and improvements	1,082,137,145	1,064,369,435
Furniture and equipment	45,004,261	42,973,249
Total assets	1,252,659,227	1,197,523,207
Less accumulated depreciation	(435,320,196)	(400,294,368)
Totals	$ 817,339,031	$ 797,228,839

The Building Fund reported a fund balance of $270.4 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 Hills 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, Santa Teresa new concession/restroom buildings, Santa Teresa baseball and softball field improvements, Santa Teresa mechanical and electrical upgrades, 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 42.

Long-Term Obligations

Table 5

	Governmental Activities 2023	Governmental Activities 2022
General obligation bonds	$ 899,638,577	$ 924,389,420
Premium	51,848,078	53,257,909
OPEB revenue bonds	24,765,000	25,760,000
Compensated absences (vacation)	3,636,100	3,482,413
Totals	$ 979,887,755	$ 1,006,889,742

The District's latest general obligation bond issuance was rated "Aa3" by Moody's Investors Service. 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 $899.6 million is below the statutorily imposed limit. Additional information about the District's debt can be found on page 45.

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 $254.5 million in net pension liabilities related to CalPERS and CalSTRS. In addition, the District reports a net OPEB liability of $45.5 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 projections started a downward trend in July 2023. The extension of the 2022 tax returns impacted projections for the next fiscal year, 2024-25, due to the extensions first to October 2023 and then November 2023 from April 2023. In November 2023, the Legislative Analyst's Office (LAO) updated the COLA estimates for 2024-25. They announced the update on November 17, 2023. However, there have been signs of a downturn coming from Sacramento since late summer 2023, so it was not completely unexpected.

The original estimate from the California Administration was 3.94% for 2024-25; with the updated information from LAO, we are now looking at a 1% COLA as a projection. The update will impact the future projections related to revenues based on the Local Control Funding Formula, along with the decline in enrollment. While inflation is increasing, the COLA is dropping. The economy's slowing as a year-over-year change levels out, leading to a lower COLA.

CalSTRS and CalPERS, certificated and classified pensions, respectively, personnel retirement system rates have been increasing steadily since 2014-15 and are expected to continue increasing through 2024-25 at this point.

We await the next update at the Governor's release of the 2024-25 proposed budget in January 2024.

The State fully implemented the LCFF in 2018-19. The District's unduplicated count was 49% for 2022-23.

In 2022-23, the District received $14.3 million and will receive $11.3 million in 2023-24 in one-time Federal COVID-19 funds from the Elementary and Secondary School Emergency Relief (ESSER) III American Rescue Plan (ARP), respectively.

In 2022-23, the District accepted and enrolled four international students in the International Student Program. In 2023-24, the District accepted and enrolled nine students for this program.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, 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.

	Governmental Activities	Business-Type Activities	Total
Assets			
Deposits and investments	$ 519,161,449	$ 2,651,004	$ 521,812,453
Receivables	23,068,571	206,076	23,274,647
Prepaid expenses	3,339,848	-	3,339,848
Stores inventories	274,167	182,030	456,197
Leases receivable	4,364,464	-	4,364,464
Other current assets	1,463	-	1,463
Capital assets not depreciated	125,517,821	-	125,517,821
Capital assets, net of accumulated depreciation	691,821,210	-	691,821,210
Total assets	1,367,548,993	3,039,110	1,370,588,103
Deferred Outflows of Resources			
Deferred charge on refunding	5,133,734	-	5,133,734
OPEB related	14,628,863	272,014	14,900,877
Pension related	79,105,487	2,316,690	81,422,177
Total deferred outflows of resources	98,868,084	2,588,704	101,456,788
Liabilities			
Overdraft	36,596	-	36,596
Accounts payable	46,536,897	112,418	46,649,315
Interest payable	10,032,628	-	10,032,628
Unearned revenue	6,255,893	-	6,255,893
Long-term obligations other than Other-Post Employment Benefits (OPEB) and pensions			
Claims liabilities due within one year	1,198,000	-	1,198,000
Current portion of long-term obligations	78,202,331	-	78,202,331
Noncurrent portion of long-term obligations	901,685,424	-	901,685,424
Net OPEB liability	44,693,298	831,042	45,524,340
Aggregate net pension liability	247,397,665	7,136,965	254,534,630
Total liabilities	1,336,038,732	8,080,425	1,344,119,157
Deferred Inflows of Resources			
Lease related	4,108,184	-	4,108,184
Deferred charge on refunding	802,984	-	802,984
OPEB related	23,474,845	436,499	23,911,344
Pension related	29,788,691	415,315	30,204,006
Total deferred inflows of resources	58,174,704	851,814	59,026,518
Net Position			
Net investment in capital assets	206,128,776	-	206,128,776
Restricted for			
Debt service	10,130,000	-	10,130,000
Capital projects	13,227,804	-	13,227,804
Educational programs	45,970,143	-	45,970,143
Unrestricted net position (deficit)	(203,253,082)	(3,304,425)	(206,557,507)
Total net position (deficit)	$ 72,203,641	$ (3,304,425)	$ 68,899,216

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenues (Expenses) and Change in Net Position: Governmental Activities	Net Revenues (Expenses) and Change in Net Position: Business-Type Activities	Total
Governmental Activities							
Instruction	$ 226,449,178	$ 67,475	$ 34,423,373	$ 2,359,060	$ (189,599,270)	$ -	$ (189,599,270)
Instruction-related activities							
Supervision of instruction	25,303,887	99,065	37,467,964	-	12,263,142	-	12,263,142
Instructional library and technology	1,790,606	-	1,232,635	-	(557,971)	-	(557,971)
School site administration	21,322,140	7,065	4,259,960	-	(17,055,115)	-	(17,055,115)
Pupil services							
Home-to-school transportation	9,826,440	-	52,003	-	(9,774,437)	-	(9,774,437)
Food services	-	80	199,286	-	199,366	-	199,366
All other pupil services	47,420,286	85,515	11,004,532	-	(36,330,239)	-	(36,330,239)
Administration							
Data processing	2,461,744	-	-	-	(2,461,744)	-	(2,461,744)
All other administration	14,634,549	5,665	2,453,753	-	(12,175,131)	-	(12,175,131)
Maintenance and operations	37,605,454	6,253	727,458	-	(36,871,743)	-	(36,871,743)
Ancillary services	8,517,550	5,364	4,197,927	-	(4,314,259)	-	(4,314,259)
Community services	3,617,006	2,983	3,213,904	-	(400,119)	-	(400,119)
Interest on long-term obligations	26,230,817	-	-	-	(26,230,817)	-	(26,230,817)
Other outgo	7,870,665	-	47,796	-	(7,822,869)	-	(7,822,869)
Total governmental activities	433,050,322	279,465	99,280,591	2,359,060	(331,131,206)	-	(331,131,206)
Business-Type Activities							
Food services	5,759,476	76,530	11,061,340	-	-	5,378,394	5,378,394
Total Business-Type Activities	5,759,476	76,530	11,061,340	-	-	5,378,394	5,378,394
Total primary government	$ 438,809,798	$ 355,995	$ 110,341,931	$ 2,359,060	(331,131,206)	5,378,394	(325,752,812)
General Revenues and Subventions							
Property taxes, levied for general purposes					140,690,822	-	140,690,822
Property taxes, levied for debt service					107,195,844	-	107,195,844
Taxes levied for other specific purposes					15,012,804	-	15,012,804
Federal and State aid not restricted to specific purposes					153,659,305	-	153,659,305
Interest and investment earnings					7,978,596	(132,921)	7,845,675
Interagency revenues					160,623	-	160,623
Miscellaneous					6,661,623	-	6,661,623
Total general revenues and subventions					431,359,617	(132,921)	431,226,696
Change in Net Position (Deficit)					100,228,411	5,245,473	105,473,884
Net Position (Deficit) - Beginning					(28,024,770)	(8,549,898)	(36,574,668)
Net Position (Deficit) - End					$ 72,203,641	$ (3,304,425)	$ 68,899,216

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	$ 130,256,286	$ 274,345,195	$ 88,726,924	$ 18,552,183	$ 511,880,588
Receivables	19,343,642	2,103,919	381,225	1,239,785	23,068,571
Prepaid items	2,049,435	1,290,413	-	-	3,339,848
Stores inventories	267,821	-	-	6,346	274,167
Leases receivable	4,364,464	-	-	-	4,364,464
Other current assets	-	-	-	1,463	1,463
Total assets	$ 156,281,648	$ 277,739,527	$ 89,108,149	$ 19,799,777	$ 542,929,101
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Overdrafts	$ -	$ -	$ -	$ 36,596	$ 36,596
Accounts payable	37,658,988	7,335,520	9,546	1,320,565	46,324,619
Unearned revenue	5,425,226	-	-	830,667	6,255,893
Total liabilities	43,084,214	7,335,520	9,546	2,187,828	52,617,108
Deferred Inflow of Resources					
Lease related	4,108,184	-	-	-	4,108,184
Fund Balances					
Nonspendable	2,582,535	1,290,413	-	35,159	3,908,107
Restricted	41,849,692	269,113,594	89,098,603	17,348,255	417,410,144
Committed	31,270,000	-	-	-	31,270,000
Assigned	-	-	-	278,910	278,910
Unassigned	33,387,023	-	-	(50,375)	33,336,648
Total fund balances	109,089,250	270,404,007	89,098,603	17,611,949	486,203,809
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 156,281,648	$ 277,739,527	$ 89,108,149	$ 19,799,777	$ 542,929,101

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Total fund balance - governmental funds		$ 486,203,809
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds.		
Governmental capital assets	$ 1,252,659,227	
Less accumulated depreciation	(435,320,196)	817,339,031
Costs resulting from advance refunding are expensed in the governmental funds. On the government-wide statements, they are deferred and amortized over the life of the related debt.		4,330,750
Deferred inflows and outflows related to pension liability are not due in the current period and therefore are not reported on the governmental funds.		49,316,796
Deferred inflows and outflows related to OPEB liability are not due in the current period and therefore are not reported on the governmental funds.		(8,845,982)
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.		(10,032,628)
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.		5,870,583
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	(899,638,577)	
Bond premiums	(51,848,078)	
OPEB bonds	(24,765,000)	
Compensated absences (vacation)	(3,636,100)	
Net OPEB liability	(44,693,298)	
Net pension liability	(247,397,665)	(1,271,978,718)
Net position (deficit) of governmental activities		$ 72,203,641

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local control funding formula	$286,598,682	$ -	$ -	$ -	$286,598,682
Federal sources	32,344,615	-	-	1,469,951	33,814,566
Other State sources	54,014,255	36,290	440,250	13,532,215	68,023,010
Other local sources	19,044,963	5,795,256	107,013,236	4,640,320	136,493,775
Total revenues	392,002,515	5,831,546	107,453,486	19,642,486	524,930,033
Expenditures					
Current					
Instruction	192,560,970	-	-	5,054,347	197,615,317
Instruction-related activities					
Supervision of instruction	23,289,826	-	-	455,042	23,744,868
Instructional library and technology	1,741,934	-	-	64,103	1,806,037
School site administration	17,331,814	-	-	2,926,380	20,258,194
Pupil services					
Home-to-school transportation	8,912,004	-	-	-	8,912,004
Food services	244,323	-	-	-	244,323
All other pupil services	44,279,821	-	-	257,784	44,537,605
Administration					
Data processing	2,356,956	-	-	-	2,356,956
All other administration	13,146,765	-	-	371,614	13,518,379
Maintenance and operations	28,588,106	9,549,214	-	584,120	38,721,440
Ancillary services	3,639,927	-	-	4,029,527	7,669,454
Community services	36,764	-	-	3,174,776	3,211,540
Other outgo	7,870,665	-	-	-	7,870,665
Capital Outlay	755	54,935,055	-	277,098	55,212,908
Debt Service					
Principal	995,000	-	72,249,394	-	73,244,394
Interest and other	1,370,432	328,407	32,337,054	-	34,035,893
Total expenditures	346,366,062	64,812,676	104,586,448	17,194,791	532,959,977
Excess (Deficiency) of Revenues Over Expenditures	45,636,453	(58,981,130)	2,867,038	2,447,695	(8,029,944)
Other Financing Sources (Uses)					
Transfers in	-	2,382,769	-	-	2,382,769
Refunding bonds issued	-	-	15,880,000	-	15,880,000
Premium on refunding bonds issued	-	-	1,620,104	-	1,620,104
Bonds issued	-	47,000,000	-	-	47,000,000
Premium on bonds issued	-	-	5,836,426	-	5,836,426
Payments to refunded bond escrow agent	-	-	(17,223,091)	-	(17,223,091)
Transfers out	(100,000)	-	-	(2,382,769)	(2,482,769)
Net Financing Sources (Uses)	(100,000)	49,382,769	6,113,439	(2,382,769)	53,013,439
Net Change in Fund Balances	45,536,453	(9,598,361)	8,980,477	64,926	44,983,495
Fund balance - Beginning	63,552,797	280,002,368	80,118,126	17,547,023	441,220,314
End of year	$109,089,250	$270,404,007	$ 89,098,603	$ 17,611,949	$486,203,809

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Net change in fund balances - total governmental funds		$ 44,983,495
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 and amortizations expenses in the statement of activities.		
This is the amount by which Capital Outlays exceed depreciation and amortization expense.		
Capital outlays	$ 55,212,908	
Depreciation and amortization expenses	(35,102,716)	20,110,192
Proceeds received from bonds are revenues in the governmental funds, but increase long-term obligations in the statement of net position and does not affect the statement of activities.		(62,880,000)
Accretion of interest on capital appreciation bonds is recorded as an expense in the government-wide statement of activities, but is not recorded in the governmental funds.		(1,433,551)
Premium received from issuance of bonds is a revenue in the governmental funds, but it increases long-term obligations in the statement of net position and does not affect the statement of activities.		
Premiums received	(7,456,530)	
Amortiation of premiums	8,866,361	1,409,831
Repayment of the long-term debt is an expenditure in the governemntal funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of acitvities.		90,059,394
Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is 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.		2,415,774
Bond defeasance cost is an amortied expense in the statement of activities but does not require the use of current resources. it is amortized over the life of the related bond.		
Deferred charges amortized	(645,240)	
Deferred charges incurred	(936,815)	(1,582,055)
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 this amount:		(153,687)

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.	12,213,047
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.	(6,511,615)
An internal service fund is used by the District's management to charge the costs of the health and dental insurance program to the individual funds. The net gain of the internal service fund is reported with the government-wide activities.	1,597,586
Change in net position (deficit) of governmental activities	$ 100,228,411

	Business-Type Activities- Cafeteria Enterprise Fund	Governmental Activities- Internal Service Fund
Assets		
Current Assets		
Deposits and investments	$ 2,651,004	$ 7,280,861
Receivables	206,076	-
Stores inventories	182,030	-
Total assets	3,039,110	7,280,861
Deferred Outflows of Resources		
Other post-employment benefit (OPEB) related	272,014	-
Pension related	2,316,690	-
Total deferred outflows of resources	2,588,704	-
Liabilities		
Current Liabilities		
Accounts payable	112,418	212,278
Current portion of claims liability	-	1,198,000
Total current liabilities	112,418	1,410,278
Noncurrent Liabilities		
Net OPEB liability	831,042	-
Aggregate net pension liability	7,136,965	-
Total noncurrent liabilities	7,968,007	-
Total liabilities	8,080,425	1,410,278
Deferred Inflows of Resources		
OPEB related	436,499	-
Pension related	415,315	-
Total deferred inflows of resources	851,814	-
Net Position (Deficit)		
Restricted for insurance programs	-	5,870,583
Unrestricted deficit	(3,304,425)	-
Total net position (deficit)	$ (3,304,425)	$ 5,870,583

	Business-Type Activities- Cafeteria Enterprise Fund	Governmental Activities- Internal Service Fund
Operating Revenues		
Food sales	$ 76,530	$ -
In-district contributions	-	13,667,232
Total operating revenues	76,530	13,667,232
Operating Expenses		
Payroll costs	2,447,803	-
Supplies and materials	2,739,590	20,119
Equipment related expense	3,591	133,313
Claims expense	-	12,071,505
Other operating expenses	568,492	108,857
Total operating expenses	5,759,476	12,333,794
Operating Income (Loss)	(5,682,946)	1,333,438
Nonoperating Revenues (Expenses)		
Investment income (loss)	(132,921)	164,148
Federal grants	6,557,449	-
State grants	4,503,891	-
Total nonoperating revenues	10,928,419	164,148
Transfers In	-	100,000
Change in Net Position (Deficit)	5,245,473	1,597,586
Net position (deficit) - Beginning	(8,549,898)	4,272,997
Net position (deficit) - Ending	$ (3,304,425)	$ 5,870,583

	Business-Type Activities-Cafeteria Enterprise Fund	Governmental Activities-Internal Service Fund
Operating Activities		
Cash received from user charges	$ 76,530	$ -
Cash received from in-district contributions	-	13,667,232
Cash payments for employee benefits	(6,025,113)	-
Cash payments for insurance claims	-	(11,948,679)
Cash payments to suppliers for goods and services	(2,814,258)	(20,119)
Cash payments for equipment repairs	(3,591)	(133,313)
Cash payments for other operating expenses	(568,492)	(108,857)
Net Cash Provided by (Used for) Operating Activities	(9,334,924)	1,456,264
Non-capital Financing Activities		
Operating grants and contributions	10,925,059	-
Cash received from (paid to) general fund	(925,351)	100,000
Net Cash from Non-capital Financing Activities	9,999,708	100,000
Investing Activities		
Investment income (loss)	(132,921)	164,148
Net Change in Cash and Cash Equivalents	531,863	1,720,412
Beginning of year	2,119,141	5,560,449
End of year	$ 2,651,004	$ 7,280,861
Reconciliation of Operating Income (Loss) to Net Cash provided by (used for) operating activities		
Operating income (loss)	$ (5,682,946)	$ 1,333,438
Changes in assets and liabilities		
Prepaid items	-	84,699
Stores inventories	13,712	-
Accounts payable	(88,380)	142,127
Pension, OPEB and related deferred inflows and outflows	(3,577,310)	-
Claims liabilities	-	(104,000)
Net Cash Provided by (Used for) Operating Activities	$ (9,334,924)	$ 1,456,264

	Private-Purpose Trust Fund
Assets	
Deposits and investments	$ 660,386
Liabilities	
Accounts payable	28,000
Net Position	
Restricted for scholarship purposes	$ 632,386

	Private-Purpose Trust Fund
Additions	
Net increase in the fair value of investments	$ 38,794
Total additions	38,794
Deductions	
Scholarships awarded	34,300
Total deductions	34,300
Change in Fiduciary Net Position	4,494
Beginning of year	627,892
End of year	$ 632,386

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 less liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major and nonmajor 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).

Nonmajor Governmental Funds

The 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 fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.

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

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

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

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

County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School 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 (*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 pays medical benefits and 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 a private-purpose trust fund. Trust funds are used to account for resources held by the District under a trust agreement for individuals, private organizations, or other governments. The private-purpose trust funds are therefore not available to support the District's own programs. The District's private-purpose 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, except for depreciation. 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 use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor governmental funds are aggregated and presented in a single column. The internal service and enterprise funds are presented in separate columns 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, current assets, current liabilities, and deferred inflows 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. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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. The District considers revenues to be available if they are collected within one year after year-end, 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 restrictions. 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 Santa Clara 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 and expensed.

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 leases, deferred recognition of revenue for prepayment of services completed in the future, for pension related items, and for OPEB related items.

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.

Other Post Employment 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.

Leases and Subscription Based Information Technology Arrangements (SBITA)

As lessor: The District is a lessor for noncancellable facilities leases of District property. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

As lessee/subscriber: At the commencement of a lease/SBITA, the District initially measures the lease/SBITA liability at the present value of payments expected to be made during the lease/subscription term. Subsequently, the lease liability is reduced by the principal portion of lease/subscription payments made. The lease/subscription asset is initially measured as the initial amount of the lease/subscription liability, adjusted for lease/subscription payments made at or before the lease/subscription commencement date, plus certain initial direct costs. Subsequently, the lease/subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease/subscription receipts/payments to present value, (2) lease/subscription term, and (3) lease receipts. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee. The District monitors changes in circumstances that would require a remeasurement of its lease/subscription and will remeasure the lease/subscription if certain changes occur that are expected to significantly affect the amount of the lease/subscription.

Lease/subscription assets are reported with other capital assets and lease/subscription liabilities are reported with long-term debt on the statement of net position.

Fund Balances - Governmental Funds

As of June 30, 2023, 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. The District currently does not have any committed funds.

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

- **Unassigned** - All other spendable amounts.

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.

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.

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.

Effects of New Pronouncements

As of July 1, 2022, the District implemented the following GASB Statement:

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96*, Subscription-Based Information Technology Arrangements*. The objectives of this Statement is to provide 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. Implementation did not result in a material change to the District's financial statements.

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

GASB Statement No. 99 – In April 2022, GASB Issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain requirements of this statement have been implemented as of June 30, 2022. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100 – In June 2022, GASB Issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023 and all reporting periods thereafter.

GASB Statement No. 101 – In June 2022, GASB Issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

Governmental funds	$ 511,880,588
Proprietary funds	9,931,865
Fiduciary funds	660,386
Total deposits and investments	$ 522,472,839

Deposits and investments as of June 30, 2023, consist of the following:

Cash on hand and in banks	$ 2,586,425
Cash in revolving	39,133
Cash with fiscal agents	718,038
Investments	519,129,243
Total deposits and investments	$ 522,472,839

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	$ 657,634	0.00
Santa Clara County Investment Pool	518,338,960	1.78
Certificate of deposits	132,649	0.25
	$ 519,129,243	

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, 2023.

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, 2023, the District's bank balances of $3,086,967 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, 2023:

Investment Type	Reported Amount	Fair Value Measurement Level 1	Fair Value Measurement Uncategoried	Fair Value
Mutual funds	$ 657,634	$ 657,634	$ -	$ 657,634
Santa Clara County Investment Pool	518,338,960	-	518,338,960	518,338,960
Certificates of deposits	132,649	-	132,649	132,649
	$ 519,129,243	$ 657,634	$ 518,471,609	$ 519,129,243

Only mutual funds have been valued using a market approach with quoted market prices.

Note 4 - Accounts Receivables

Account receivables, at June 30, 2023, 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	Nonmajor Governmental Funds
Federal Government				
Categorical aid	$ 11,592,771	$ -	$ -	$ 713,445
State Government				
LCFF Apportionment	2,801	-	-	-
Categorical aid	2,826,653	-	-	380,667
Lottery	507,589	-	-	-
Local Government				
Interest	1,221,037	2,102,419	381,225	145,673
Other local sources	3,192,791	1,500	-	-
	$ 19,343,642	$ 2,103,919	$ 381,225	$ 1,239,785

	Total Governmental Funds	Enterprise Fund
Federal Government		
Categorical aid	$ 12,306,216	$ 155,054
State Government		
Apportionment	2,801	-
Categorical aid	3,207,320	51,022
Lottery	507,589	-
Local Government		
Interest	3,850,354	-
Other local sources	3,194,291	-
	$ 23,068,571	$ 206,076

Note 5 - Capital Asset

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Capital Assets not being Depreciated				
Land	$ 25,442,454	$ -	$ -	$ 25,442,454
Construction in progress	64,738,069	46,403,638	11,066,340	100,075,367
Total capital assets, not being depreciated	90,180,523	46,403,638	11,066,340	125,517,821
Capital Assets being Depreciated				
Buildings and building improvement	906,762,904	9,111,954	-	915,874,858
Site improvement	157,606,531	8,655,756	-	166,262,287
Furniture and equipment	42,973,249	2,107,900	76,888	45,004,261
Total capital assets, being depreciated	1,107,342,684	19,875,610	76,888	1,127,141,406
Total capital assets	1,197,523,207	66,279,248	11,143,228	1,252,659,227
Less Accumulated Depreciation				
Buildings and building improvement	318,461,308	25,954,553	-	344,415,861
Site improvement	51,441,269	6,654,328	-	58,095,597
Furniture and equipment	30,391,791	2,493,835	76,888	32,808,738
Total accumulated depreciation	400,294,368	35,102,716	76,888	435,320,196
Governmental Activities capital assets, net	$ 797,228,839	$ 31,176,532	$ 11,066,340	$ 817,339,031

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

Governmental Activities	
Instruction	$ 21,434,436
Supervision of instruction	2,575,498
Instructional library, media and technology	195,893
School site administration	2,197,314
Home-to-school transportation	966,645
All other pupil services	4,830,792
Ancillary services	831,871
Community services	348,341
Data processing services	255,648
All other administration	1,466,278
Total depreciation expenses - governmental activities	$ 35,102,716

Note 6 - Leases Receivable

The District is leasing nine facilities to third-parties under noncancellable lease agreements. The lease agreements expire through fiscal year 2027, and the District receives annual payments averaging $1 million over the least terms. The District recognized $1.6 million in lease revenue and $125 thousand in interest revenue during the current fiscal year related to the leases. As of June 30, 2023, the District's receivable for lease payments was $4.4 million, calculated using a discount rate of 1.5%. Also, the District has a deferred inflow of resources associated with the leases that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was $4.1 million.

Note 7 - Interfund Transactions

Operating Transfers

Interfund transfers for the year ended June 30, 2023, consisted of a $100,000 transfer from the General Fund to the self-insurance fund as a budgetary contribution. Additionally, the County School Facilities Fund transferred $2,382,769 to the building fund as reimbursement as expenditure-driven grant reimbursements were received for projects initially funded by the building fund.

Note 8 - Deferred Charge on Refunding

For current refundings and advance refundings resulting in defeasance of debt reported by proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense systematically and rationally over the remaining life of the old debt or the life of the new debt, whichever is shorter.

The balances of deferred charges on refunding as of and for the year ending June 30, 2023 is as follows:

	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
Deferred outflows of resources	$ 5,912,805	$ -	$ 779,071	$ 5,133,734
Deferred inflows of resources	$ -	$ (936,815)	$ (133,831)	$ (802,984)

Note 9 - Accounts Payable

Accounts payable at June 30, 2023, consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds
Vendor payables	$ 19,166,582	$ 7,335,520	$ 9,546	$ 1,320,565
LCFF apportionment	7,006,335	-	-	-
Salaries and benefits	7,572,365	-	-	-
State in-lieu tax	3,913,706	-	-	-
Total	$ 37,658,988	$ 7,335,520	$ 9,546	$ 1,320,565

	Total Governmental Funds	Cafeteria Enterprise Fund	Internal Service Fund
Vendor payables	$ 27,832,213	$ 112,418	$ 212,278
LCFF apportionment	7,006,335	-	-
Salaries and benefits	7,572,365	-	-
State in-lieu tax	3,913,706	-	-
Total	$ 46,324,619	$ 112,418	$ 212,278

Note 10 - Unearned Revenue

Unearned revenue at June 30, 2023, consists of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal financial assistance	$ 627,348	$ 30,299	$ 657,647
State categorical aid	1,390,037	800,368	2,190,405
Local sources	3,407,841	-	3,407,841
	$ 5,425,226	$ 830,667	$ 6,255,893

Note 11 - Long-Term Obligations Other than OPEB and Pensions

Summary

Payments on the general obligation bonds (GOB) and private placement notes are made by the Bond Interest and Redemption Fund with local revenues. Payments on the 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, 2022	Additions	Deductions	Balance June 30, 2023	Due in One Year
Long-Term Liabilities					
General obligation bonds	$897,299,420	$ 64,313,551	$ 81,159,394	$ 880,453,577	$ 71,156,270
Private placement notes	27,090,000	-	7,905,000	19,185,000	-
Bond premium	53,257,909	7,456,530	8,866,361	51,848,078	5,616,061
OPEB bonds	25,760,000	-	995,000	24,765,000	1,095,000
Compensated absences	3,482,413	411,738	258,051	3,636,100	335,000
Total	$ 1,006,889,742	$ 72,181,819	$ 99,183,806	$ 979,887,755	$ 78,202,331

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Title	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding June 30, 2022	Accreted/ Issued	Defeased/ Redeemed	Bonds Outstanding June 30, 2023
Current Interest Bonds							
2003 Refunding	2027	2.0%-5.3%	$ 97,160,000	$ 37,615,000	$ -	$ 9,260,000	$ 28,355,000
2006 Refunding	2025	4.0%-5.25%	42,665,000	18,545,000	-	4,635,000	13,910,000
2008 Series C	2026	4.0%	20,026,088	6,306,405	-	1,504,394	4,802,011
2008 Series D	2043	2.0%-5.0%	100,000,000	2,070,000	-	2,070,000	-
2008 Series E	2032	3.5%-5.0%	78,970,000	71,165,000	-	2,365,000	68,800,000
2012 Refunding	2029	2.0%-5.0%	36,735,000	19,190,000	-	19,190,000	-
2012 Series A	2039	2.0%-5.0%	20,000,000	14,940,000	-	590,000	14,350,000
2012 Series B	2036	4.0%-5.0%	100,000,000	85,505,000	-	3,160,000	82,345,000
2013 Refunding	2030	3.0%-5.0%	88,145,000	74,855,000	-	5,280,000	69,575,000
2014 Refunding	2036	2.0%-5.0%	41,400,000	30,255,000	-	1,685,000	28,570,000
2014 Series D	2031	5.0%	47,000,000	-	47,000,000	-	47,000,000
2015 Refunding	2035	3.0%-5.0%	41,420,000	36,015,000	-	1,475,000	34,540,000
2016 Refunding A	2033	2.0%-5.0%	16,060,000	14,835,000	-	970,000	13,865,000
2016 Refunding B	2039	2.0%-5.0%	83,665,000	82,080,000	-	2,985,000	79,095,000
2016 Series B	2036	3.0%-5.0%	140,000,000	130,500,000	-	4,200,000	126,300,000
2016 Series C	2035	2.0%-3.0%	127,320,000	127,320,000	-	15,540,000	111,780,000
2020 Refunding	2027	2.0%-4.0%	21,090,000	18,490,000	-	2,730,000	15,760,000
2020 Refunding	2036	0.353%-2.527%	97,585,000	95,240,000	-	1,080,000	94,160,000
2022 Refunding	2028	5.0%	15,880,000	-	15,880,000	360,000	15,520,000
Subtotal - current interest bonds				864,926,405	62,880,000	79,079,394	848,727,011
Capital Appreciation Bonds							
2002 Series G	2032	4.6%-6.9%	19,997,739	32,373,015	1,433,551	2,080,000	31,726,566
Subtotal - general obligation bonds				897,299,420	64,313,551	81,159,394	880,453,577
Private Placement Notes							
2014 Series C	2026	1.33%	30,000,000	27,090,000	-	7,905,000	19,185,000
Total General Obligation Bonds and Notes				$ 924,389,420	$ 64,313,551	$ 89,064,394	$ 899,638,577

Debt Service Requirements to Maturity

The current interest bonds mature through 2043 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2024	$ 63,481,270	$ 30,985,120	$ 94,466,390
2025	80,360,020	28,865,789	109,225,809
2026	65,090,721	25,536,475	90,627,196
2027	57,960,000	22,874,264	80,834,264
2028	64,610,000	20,232,158	84,842,158
2029-2033	296,095,000	61,353,546	357,448,546
2034-2038	173,775,000	19,459,554	193,234,554
2039-2043	47,355,000	2,964,141	50,319,141
Total	$ 848,727,011	$ 212,271,047	$ 1,060,998,058

The private placement notes mature through 2026 as follows:

Fiscal Year	Principal	Maturity	Total
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	$ 19,185,000	$ 269,442	$ 19,454,442

The capital appreciation bonds mature through 2032 as follows:

Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2024	$ 1,052,972	$ 1,192,028	$ 2,245,000	$ -	$ 2,245,000
2025	1,072,643	1,225,027	2,297,670	112,330	2,410,000
2026	1,099,410	1,262,950	2,362,360	237,640	2,600,000
2027	1,114,385	1,287,600	2,401,985	373,015	2,775,000
2028	1,187,500	1,380,101	2,567,601	547,399	3,115,000
2029-2032	9,111,759	10,740,191	19,851,950	8,138,050	27,990,000
Total	$ 14,638,669	$ 17,087,897	$ 31,726,566	$ 9,408,434	$ 41,135,000

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. Principal 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:

Maturity	Interest	Original	Bonds June 30, 2022	Redeemed	Bonds June 30, 2023
2036	5.18%-5.32%	$ 32,050,000	$ 25,760,000	$ 995,000	$ 24,765,000

Debt Service Requirements to Maturity

The bonds mature through 2036 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2024	$ 1,095,000	$ 1,317,498	$ 2,412,498
2025	1,205,000	1,259,244	2,412,498
2026	1,315,000	1,195,138	2,464,244
2027	1,435,000	1,125,180	2,560,180
2028	1,565,000	1,048,838	2,613,838
2029-2033	10,030,000	3,844,498	13,874,498
2034-2036	8,120,000	884,982	9,004,982
Total	$ 24,765,000	$ 10,675,378	$ 35,342,738

General Obligation Bonds 2014 Election, Series D (Ed-Tech Bonds)

The Bonds were issued by the District pursuant to certain provisions of the California Government Code and a resolution of the Governing Board of the District adopted on March 2, 2023. The Bonds were authorized at an election of the registered voters of the District held on November 4, 2014, which authorized the issuance of general obligation bonds for the purpose of financing school facility projects and increasing student computer and technology access. The Bonds are the fourth and final series of bonds to be issued pursuant to the authority of the election. The bonds mature through fiscal year 2031 and have an interest rate of 5.0%.

Debt Refunding

During July 2022, the District issued $15,880,000 in general obligation bonds with an interest rate of 5.0 percent to advance refund $16,815,000 of 2012 general obligation refunding bonds with an interest rate range of 3.50 percent to 5.0 percent. The net proceeds of $17,223,091 (including premiums of $1,620,104 and costs of issuance of $277,013) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the liability for the defeased bonds is not reported on the statement of net position.

The advance refunding resulted in a difference between the new debt's reacquisition price and the old debt's net carrying amount in the amount of $936,815. The advance refunding decreases the total debt service payments, including principal and interest, over the next seven years by $456,482, resulting in an economic gain (difference between the present values of the old and new debt service payments) of $228,887.

Note 12 - Fund Balances

Governmental Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Revolving cash	$ 8,999	$ -	$ -	$ 28,813	$ 37,812
Stores inventories	267,821	-	-	6,346	274,167
Prepaid items	2,049,435	1,290,413	-	-	3,339,848
Lease	256,280	-	-	-	256,280
Total nonspendable	2,582,535	1,290,413	-	35,159	3,908,107
Restricted					
Educational programs	41,849,692	-	-	4,120,451	45,970,143
Capital projects	-	269,113,594	-	13,227,804	282,341,398
Debt services	-	-	89,098,603	-	89,098,603
Total restricted	41,849,692	269,113,594	89,098,603	17,348,255	417,410,144
Committed					
Budgeted deficits	31,270,000	-	-	-	31,270,000
Total committed	31,270,000	-	-	-	31,270,000
Assigned					
Adult education	-	-	-	278,910	278,910
Total assigned	-	-	-	278,910	278,910
Unassigned					
Reserve for economic uncertainty	33,195,029	-	-	-	33,195,029
Remaining unassigned	191,994	-	-	(50,375)	141,619
Total unassigned	33,387,023	-	-	(50,375)	33,336,648
	$ 109,089,250	$ 270,404,007	$ 89,098,603	$ 17,611,949	$ 486,203,809

Note 13 - Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2023, 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 2023, 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, 2021 to June 30, 2023:

	Health Benefits
Liability Balance, July 1, 2021	$ 922,000
Claims and changes in estimates	12,785,533
Claim payments	(12,405,533)
Liability Balance, June 30, 2022	1,302,000
Claims and changes in estimates	11,967,505
Claim payments	(12,071,505)
Liability Balance, June 30, 2023	$ 1,198,000
Assets available to pay claims at June 30, 2023	$ 7,068,583

Note 14 - Net Other Post-Employment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2023, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
$ 45,524,340	$ 14,900,877	$ 23,911,344	$ 1,319,168

Plan Administration

Management of the Plan vests with District management. Management of the Trustee assets is vested with the Self-Insured Schools of California (SISC). 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, 2022, the most recent actuarial valuation, the Plan membership consisted of the following:

	Membership
Inactive employees or beneficiaries currently receiving benefits payments	173
Active employees	1,281
	1,454

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 $891,266 to the Plan, all of which was used for current premiums.

Actuarial Assumptions

The net OPEB liability in the June 30, 2022 actuarial valuation, and June 30, 2022 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%, Medicare Part B premiums are assumed to increase to 4%
Discount rate	3.72%

Mortality rates for were based on the 2021 CalPERS valuation, projected to future years using the ultimate rates from projection scale MP-2021. Mortality rates vary by age and sex. 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 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 has been changed from 2.49% per year to 3.72% at the June 30, 2022 measurement date. 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. Under that assumption, the fiduciary net position is projected to be available to make all projected OPEB payments until 2028. The long-term expected rate of return (5.00%) was applied to all periods prior to 2029, and the Fidelity General Obligation AA Index was applied to all periods after 2028. The discount rate of 3.72% is the single rate of return at which the actuarial present value of all projected benefit payments equals the present value of projected benefit payments using the two rates described in the previous sentence.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at measurement date June 30, 2021	$ 66,399,075	$ 18,480,524	$ 47,918,551
Service cost	3,854,149	-	3,854,149
Interest	1,312,040	-	1,312,040
Changes in assumptions	(7,288,588)	-	(7,288,588)
Difference between actual and expected experience	(2,686,469)	-	(2,686,469)
Contributions-employer	-	(958,425)	958,425
Net investment income	-	(1,438,988)	1,438,988
Administrative expense	-	(17,244)	17,244
Benefit payments	(2,246,871)	(2,246,871)	-
Net change in total OPEB liability	(7,055,739)	(4,661,528)	(2,394,211)
Balance at measurement date June 30, 2022	$ 59,343,336	$ 13,818,996	$ 45,524,340

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.72%)	$ 51,460,132
Current discount rate (3.72%)	45,524,340
1% increase (4.72%)	40,199,738

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%)	$ 39,002,080
Current healthcare cost trend rate (5.5%)	45,524,340
1% increase (6.5%)	53,200,625

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

At June 30, 2023, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $0.8 million which will be recognized as an OPEB expense in the subsequent year. For the year ended June 30, 2023, the District recognized OPEB expense of $3,760,645.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 10,700,116	$ (9,540,391)
Difference between actual and expected experience	1,594,750	(11,949,359)
Contributions subsequent to measurement date	891,266	
Net difference between projected and actual earnings on OPEB plan investments	1,714,745	(2,421,594)
	$ 14,900,877	$ (23,911,344)

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
2024	$ (1,356,023)
2025	(1,285,246)
2026	(1,418,507)
2027	(634,905)
2028	(996,958)
Thereafter	(4,210,094)
	$ (9,901,733)

Note 15 - 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, 2023, 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	$ 168,082,631	$ 53,359,478	$ 25,173,177	$ 13,750,365
CalPERS	86,451,999	28,062,699	5,030,829	9,599,095
	$ 254,534,630	$ 81,422,177	$ 30,204,006	$ 23,349,460

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, 2021, 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, 2023 are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
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%	10.25%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

Contributions

For required members, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with Assembly Bill 1469, *State Teachers' Retirement: Defined Benefit Program*, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the District's total contributions were $28,207,731.

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

At June 30, 2023, 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	$ 168,082,631
State's proportionate share of the net pension liability associated with the District	84,175,124
Total net pension liability, including State share	$ 252,257,755

The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, respectively was 0.2419% and 0.2430%, resulting in a net decrease in the proportionate share of 0.00110%.

For the year ended June 30, 2023, the District recognized pension expense of $13,750,365. In addition, the District recognized pension expense and revenue of $6,788,668 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurment date	$ 28,207,731	$ -
Net change in proportionate share of net pension liability	16,678,192	4,350,924
Difference between projected and actual earnings on pension plan investments	-	8,219,565
Differences between expected and actual experience	137,880	12,602,688
Changes of assumptions	8,335,675	-
	$ 53,359,478	$ 25,173,177

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:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ (6,037,881)
2025	(6,541,021)
2026	(9,825,946)
2027	14,185,283
	$ (8,219,565)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 8,321,386
2025	474,415
2026	1,000,202
2027	1,461,003
2028	(1,919,161)
Thereafter	(1,139,710)
	$ 8,198,135

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, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
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 current and future valuation, CalSTRS' independent consulting actuary (Milliman) 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, 2022, 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 of 7.10% and assume that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 285,466,648
Current discount rate (7.10%)	168,082,631
1% increase (8.10%)	70,618,604

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, 2021 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, 2023, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Normal retirement age	55	62
Monthly benefits as a precentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	25.37%	25.37%

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, 2023, are presented above and the total District contributions were $11,069,130.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $86,451,999. The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, respectively was 0.2512% and 0.2611%, resulting in a net decrease in the proportionate share of 0.00990%.

For the year ended June 30, 2023, the District recognized pension expense of $9,599,095. At June 30, 2023, 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	$ 11,069,130	$ -
Net change in proportionate share of net pension liability	-	2,879,793
Difference between projected and actual earnings on pension plan investments	10,207,630	-
Differences between expected and actual experience in the measurement of the total pension liability	390,712	2,151,036
Changes of assumptions	6,395,227	-
	$ 28,062,699	$ 5,030,829

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
2024	$ 1,702,309
2025	1,509,830
2026	771,239
2027	6,224,252
	$ 10,207,630

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 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2024	$ 526,745
2025	604,215
2026	744,376
2027	(120,226)
	$ 1,755,110

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, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. 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 - cap-weighted	30%	4.45%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. 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 expected rate of return on the School Employer Pool investments 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 (5.90%)	$ 124,884,290
Current discount rate (6.90%)	86,451,999
1% increase (7.90%)	54,689,123

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. Total expense related to the plan for the year ended June 30, 2023 was $55,761. The District had no forfeitures reflected in the pension expense during the year ended June 30, 2022. The District's liability as of June 30, 2023 was $2,759.

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 $13,503,440 (10.828% of annual payroll). 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. Accordingly, these amounts have been recorded in these financial statements.

Note 16 - 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 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 the Metropolitan Education District.

During the year ended June 30, 2023, the District made payments of $2,281,592, and $3,197,088 to the Northern California Regional Liability Excess Fund, and Santa Clara County Schools Insurance Group.

Note 17 - 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, 2023.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2023.

Construction Commitments

As of June 30, 2023, the District had construction and technology commitments in the amount of $41,692,813.

Required Supplementary Information
June 30, 2023

East Side Union High School District

	Budgeted Amounts			Variance
	Original	Final	Actual	Final to Actual
Revenues				
Local control funding formula	$ 247,912,149	$ 285,213,448	$ 286,598,682	$ 1,385,234
Federal sources	35,689,277	32,566,132	32,344,615	(221,517)
Other State sources	60,362,449	60,520,992	54,014,255	(6,506,737)
Other local sources	12,166,870	13,717,416	19,044,963	5,327,547
Total revenues	356,130,745	392,017,988	392,002,515	(15,473)
Expenditures				
Current				
Certificated salaries	152,897,688	151,429,293	149,995,384	1,433,909
Classified salaries	36,642,831	36,006,030	35,721,711	284,319
Employee benefits	107,899,531	104,386,993	101,183,269	3,203,724
Books and supplies	7,758,418	9,909,855	7,662,218	2,247,637
Services and operating expenditures	44,286,775	46,786,130	41,752,330	5,033,800
Other outgo	5,500,832	6,769,220	7,246,611	(477,391)
Capital outlay	37,000	348,203	439,107	(90,904)
Debt service - principal	995,000	995,000	995,000	-
Debt service - interest	1,370,432	1,370,432	1,370,432	-
Total expenditures	357,388,507	358,001,156	346,366,062	11,635,094
Excess of Expenditures (over) under Revenues	(1,257,762)	34,016,832	45,636,453	11,619,621
Other Financing Uses				
Transfers out	(2,050,595)	-	(100,000)	(100,000)
Total other financing	(2,050,595)	-	(100,000)	(100,000)
Net Change in Fund Balance	(3,308,357)	34,016,832	45,536,453	11,519,621
Fund Balance, Beginning of Year	63,552,797	63,552,797	63,552,797	-
Fund Balance, End of Year	$ 60,244,440	$ 97,569,629	$ 109,089,250	$ 11,519,621

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	$ 3,854,149	$ 3,854,149	$ 2,588,263	$ 2,248,906	$ 2,197,246	$ 2,377,401
Interest	1,312,040	1,485,049	1,646,121	1,788,510	2,259,566	2,065,888
Changes of assumptions	(7,288,588)	2,959,136	8,275,864	2,562,259	(677,554)	(4,253,271)
Differences between actual and expected experience	(2,686,469)	-	2,073,175	-	(14,038,060)	-
Benefit payments	(2,246,871)	(3,079,592)	(3,070,573)	(3,513,998)	(4,311,762)	(4,429,331)
Net change in total OPEB liability	(7,055,739)	5,218,742	11,512,850	3,085,677	(14,570,564)	(4,239,313)
Total OPEB liability - beginning	66,399,075	61,180,333	49,667,483	46,581,806	61,152,370	65,391,683
Total OPEB liability - ending (a)	$ 59,343,336	$ 66,399,075	$ 61,180,333	$ 49,667,483	$ 46,581,806	$ 61,152,370
Plan Fiduciary Net Position						
Employers contribution	$ (958,425)	$ 2,249,151	$ (745,635)	$ (1,842,310)	$ 2,649,475	$ 690,995
Net investment income	(1,438,988)	4,292,200	(83,699)	1,273,435	1,829,471	2,580,729
Administrative expense	(17,244)	(16,464)	(17,295)	(21,481)	(23,095)	-
Benefit payments	(2,246,871)	(3,079,592)	(3,070,573)	(3,513,998)	(4,311,762)	(4,429,331)
Net change in fiduciary net position	(4,661,528)	3,445,295	(3,917,202)	(4,104,354)	144,089	(1,157,607)
Fiduciary net position - beginning	18,480,524	15,035,229	18,952,431	23,056,785	22,912,696	24,070,303
Fiduciary net position - ending (b)	$ 13,818,996	$ 18,480,524	$ 15,035,229	$ 18,952,431	$ 23,056,785	$ 22,912,696
Net OPEB liability - ending (a) - (b)	$ 45,524,340	$ 47,918,551	$ 46,145,104	$ 30,715,052	$ 23,525,021	$ 38,239,674
Plan fiduciary net position as a percentage of the total OPEB liability	23.29%	27.83%	24.58%	38.16%	49.50%	37.47%
Covered-employee payroll	$ 132,184,496	$ 134,829,817	$ 173,491,372	$ 170,544,906	$ 164,715,470	$ 164,083,302
District's net OPEB liability as a percentage of covered-employee payroll	34.44%	35.54%	26.60%	18.01%	14.28%	23.31%
Measurement date	7/1/2022	7/1/2021	7/1/2021	7/1/2021	7/1/2020	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.

The Discount rate was changed from 2.49% to 3.72% at the June 30, 2023 fiscal year.

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 891,266	$ 2,820,855	$ (958,425)	$ 2,424,430	$ 3,099,923	$ 2,649,475
Contribution in relation to the actuarially determined contribution	(891,266)	(2,820,855)	958,425	(2,424,430)	(3,099,923)	(2,649,475)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$150,817,951	$132,184,496	$134,829,817	$173,491,372	$170,544,906	$164,715,470
Contributions as a percentage of covered payroll	0.6%	2.1%	-0.7%	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.

The Discount rate was changed from 2.49% to 3.72% at the June 30, 2023 measurement date.

Fiscal Year Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
CalSTRS									
District's proportion of the net pension liability	0.24190%	0.24300%	0.23590%	0.22470%	0.22370%	0.22804%	0.22075%	0.25993%	0.23020%
District's proportionate share of the net pension liability	$ 168,082,631	$ 110,600,452	$ 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 associated with the District	84,175,124	55,649,858	117,862,304	110,703,906	117,711,769	124,761,967	101,643,329	92,552,179	81,229,677
Total	$ 252,257,755	$ 166,250,310	$ 346,499,116	$ 313,619,322	$ 323,305,051	$ 335,654,037	$ 280,189,814	$ 267,545,506	$ 215,750,826
District's covered payroll	$ 144,700,018	$ 136,790,013	$ 126,412,485	$ 123,407,896	$ 121,736,601	$ 122,579,597	$ 119,337,685	$ 111,165,728	$ 102,842,026
District's proportionate share of the net pension liability as a percentage of its covered - payroll	116.16%	80.85%	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	81%	87%	72%	73%	71%	69%	70%	74%	77%
Measurement date	June 30, 2022	June 30, 2021	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	0.25120%	0.26110%	0.26590%	0.26370%	0.26808%	0.28384%	0.28983%	0.28613%	0.26448%
District's proportionate share of the net pension liability	$ 86,451,999	$ 53,097,321	$ 81,579,588	$ 76,863,806	$ 71,477,427	$ 67,760,813	$ 57,240,552	$ 42,175,303	$ 30,024,754
District's covered - payroll	$ 41,500,816	$ 37,301,235	$ 38,137,539	$ 36,626,980	$ 35,436,556	$ 34,903,036	$ 33,120,771	$ 29,702,119	$ 27,540,541
District's proportionate share of the net pension liability as a percentage of its covered - payroll	208.31%	142.35%	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	70%	81%	70%	70%	71%	72%	74%	79%	83%
Measurement date	June 30, 2022	June 30, 2021	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.

Fiscal Year Date	June 30, 2023	June 30, 2022	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	$ 28,207,731	$ 23,774,213	$ 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	(28,207,731)	(23,774,213)	(21,393,958)	(21,616,535)	(20,097,021)	(17,926,108)	(15,418,734)	(12,804,206)	(9,869,073)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 147,684,455	$ 144,700,018	$ 136,790,013	$ 126,412,485	$ 123,407,896	$ 121,736,601	$ 122,579,597	$ 119,337,685	$ 111,165,728
Contributions as a percentage of covered payroll	19.10%	16.43%	15.64%	17.10%	16.29%	14.73%	12.58%	10.73%	8.88%
CalPERS									
Contractually required contribution	$ 11,069,130	$ 9,354,284	$ 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	(11,069,130)	(9,354,284)	(7,702,705)	(7,521,104)	(6,788,525)	(5,120,582)	(5,177,134)	(3,814,940)	(3,496,235)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 43,630,784	$ 41,500,816	$ 37,301,235	$ 38,137,539	$ 36,626,980	$ 35,436,556	$ 34,903,036	$ 33,120,771	$ 29,702,119
Contributions as a percentage of covered payroll	25.37%	22.54%	20.65%	19.72%	18.53%	14.45%	14.83%	11.52%	11.77%

*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.

The Discount rate was changed from 7.15% to 6.90% for the June 30, 2023 fiscal year.

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 –Discount rate change from 3.99% at June 30, 2018 to 3.42% at June 30, 2019 to 2.49% at June 30, 2020 to 2.01% at June 30, 2021 to 3.72% at June 30, 2022 measurement dates; Healthcare cost trend rate change from 6.0% -5.5% at June 30, 2018 to 5.5% at June 30, 2019.

Schedule of the District's 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 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 the District's Contributions for Pensions

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

Supplementary Information
June 30, 2023

East Side Union High School District

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education			
Elementary and Secondary School Emergency Relief (ESSER) Fund			
COVID-19, ESSER II	84.425D	15547	$ 134,889
COVID-19, ESSER III	84.425U	15559	11,756,016
COVID-19, ESSER III - Learning Loss	84.425U	10155	2,536,646
Expanded Learning Opportunities (ELO)			
COVID-19, ELO - ESSER II	84.425D	15618	2,105,327
COVID-19, ELO - ESSER III	84.425U	15620	1,583,420
COVID-19, ELO - ESSER III	84.425U	15621	2,672,823
COVID-19, Governor's Emergency Education Relief (GEER) Fund			
ELO - GEER II	84.425C	15619	558,210
ARP - Homeless Children and Youth II	84.425U	15566	74,270
Subtotal			21,421,601
Adult Education - Basic Grants to States			
Adult Basic Education and English as Second Language	84.002	14508	725,020
Adult Secondary Education	84.002	13978	182,930
Subtotal			907,950
Title I, Grants to Local Educational Agencies	84.010	14329	3,260,422
Title I, Grants to Local Educational Agencies	84.010	15438	(492,313)
Subtotal			2,768,109
Migrant Education State Grant Program	84.011	14326	128,212
Migrant Education State Grant Program	84.011	10005	35,505
Subtotal			163,717
Supporting Effective Instruction State Grants	84.367	14341	702,279
Student Support and Academic Enrichment Program	84.424	15396	497,241
English Language Acquisition State Grants	84.365	14346	449,488
Career and Technical Education -- Basic Grants to States	84.048	14893	475,126
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	10006	404,849
Passed through South East Consortium Special Education Local Plan Area			
Special Education Cluster			
Special Education Grants to States			
Basic Local Assistance Entitlement	84.027	13379	4,248,416
Local Assistance, Private School ISPs	84.027	10115	3,567
COVID-19, Local Assistance Entitlement	84.027	15638	736,888
COVID-19, Local Assistance, Private School ISPs	84.027	10169	677
Mental Health Services	84.027	15197	265,896
Total Special Education Cluster			5,255,444
Total U.S. Department of Education			33,045,804

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services Human Services			
Passed through California Department of Education			
The Child Care and Development Fund (CCDF) Cluster			
Child Care and Development Fund	93.575	10163	251,214
Child Development: Federal Child Care	93.575	15136	309,999
Child Care Initiative Project / Resource & Referral Contract	93.575	14092	788
CCDF Cluster			562,001
Total U.S. Department of Health and Human Services			562,001
U.S. Department of Agriculture			
Passed through California Department of Education			
Child Nutrition Cluster			
Supply Chain Assistance Funds	10.555	15655	572,205
National School Lunch Program	10.555	13391	4,283,142
Basic School Breakfast	10.553	13525	1,300,729
Special Milk Program for Children	10.556	13392	10,168
Total Child Nutrition Cluster			6,166,244
Child Nutrition Discretionary Grants Limited Availability	10.579	14906	85,754
Passed Through California Department of Social Services			
Child and Adult Care Food Program	10.558	13393	391,203
Subtotal			391,203
Total U.S. Department of Agriculture			6,643,201
U.S. Department of Defense			
Direct Award			
ROTC Language and Culture Training Grants	12.357	[1]	121,009
Total U.S. Department of Defense			121,009
Total Federal Financial Assistance			$ 40,372,015

[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

Member	Office	Term Expires
Lorena Chavez	President	2026
Pattie Cortese	Vice President	2024
Bryan Do	Clerk	2024
J. Manuel Herrera	Member	2026
Van T. Le	Member	2026

Administration

Glenn Vander Zee	Superintendent
Michele Huntoon	Associate Superintendent of Business Services
Teresa Marquez	Associate Superintendent of Educational Services
Tom Huynh	Associate Superintendent of Human Resources

	Final Report	
	Second Period Report	Annual Report
9th Through 12th		
Regular ADA	19,237.10	19,129.83
Extended Year Special Education	12.09	12.09
Special Education, Nonpublic, Nonsectarian Schools	51.57	52.21
Extended Year Special Education, Nonpublic, Nonsectarian Schools	6.05	6.05
	19,306.81	19,200.18

Grade Level	1986-1987 Minutes Requirement	2022-2023 Actual Minutes	Number of Actual Days Tranditional Calendar	Number of Actual Days Multitrack Calendar	Status
Grade 9	64,800	64,995	180	N/A	Complied
Grade 10	64,800	64,995	180	N/A	Complied
Grade 11	64,800	65,000	180	N/A	Complied
Grade 12	64,800	65,000	180	N/A	Complied

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

	General Fund	Governmental Activities- Internal Service Fund	Private-Purpose Trust Fund
Fund Balance			
Balance, June 30, 2023, Unaudited Actuals	$ 108,897,256	$ 6,062,497	$ 632,466
The Fair Market Value adjustment for investments with the County investment pool	191,994	(191,914)	(80)
Balance, June 30, 2023, Audited Financial Statement	$ 109,089,250	$ 5,870,583	$ 632,386

	Business-Type Activities- Cafeteria Enterprise Fund	Bond Interest and Redemption Fund
Fund Balance		
Balance, June 30, 2023, Unaudited Actuals	$ 2,926,692	$ 91,738,952
The Fair Market Value adjustment for investments with the County investment pool	-	(2,640,349)
As required by GASB 68 and 75, the recording of deferred inflows, outflows of resources, and liabilities related to pensions	(6,231,117)	-
Balance, June 30, 2023, Audited Financial Statement	$ (3,304,425)	$ 89,098,603

	Budgeted 2024 [1]	2023	2022 [1]	2021 [1]
General Fund				
Revenues	$ 357,392,096	$ 392,002,515	$ 327,897,336	$ 310,212,593
Other sources and transfers in*	-	-	913,577	171,375
Total revenues and other sources	357,392,096	392,002,515	328,810,913	310,383,968
Expenditures	385,294,496	346,366,062	327,268,746	288,846,712
Other uses and transfers out*	100,000	100,000	1,013,577	1,837,817
Total expenditures and other uses	385,394,496	346,466,062	328,282,323	290,684,529
Changes in Fund Balance	$ (28,002,400)	$ 45,536,453	$ 528,590	$ 19,699,439
Ending Fund Balance	$ 81,086,850	$ 109,089,250	$ 63,552,797	$ 63,024,207
Available Reserves[2]	$ 53,868,416	$ 64,657,023	$ 46,799,768	$ 47,789,414
Available Reserves as a percentage of total outgo	13.98%	18.66%	14.26%	16.44%
Long-Term Obligations	$ 1,201,744,394	$ 1,279,946,725	$ 1,218,506,066	$ 1,441,267,962
Average Daily Attendance At P-2	18,411	19,307	19,934	21,415

The General Fund balance has increased by $46,065,043 over the past two years. The fiscal year 2023-24 budget projects a decrease of $28,002,400. 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 an operating deficit during the 2023-24 fiscal year. Total long-term obligations have decreased by $161,321,237 over the past two years.

Average daily attendance has decreased by 2,108 over the past two years. A decrease of 896 ADA is anticipated during fiscal year 2023-24.

[1] Financial information for 2024, 2022, and 2021 are 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 or committed for budgeted deficits contained with the General Fund and
* Includes transfers eliminated in the GAAP financial statements.

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 Center	0502	No
Escuela Popular Center for Training and Careers	0646	No
KIPP San Jose Collegiate	0976	No
Latino College Preparatory Academy	0414	No
Luis Valdez Leadership Academy	1681	No
San Jose Conservation Corp Charter School	0425	No

	Student Activity Fund	Adult Education Fund	Child Development Fund	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Governmental Funds
Assets						
Deposits and investments	$ 2,721,639	$ 1,202,048	$ 1,412,757	$ 13,215,739	$ -	$ 18,552,183
Receivables	-	563,568	556,117	107,213	12,887	1,239,785
Stores inventories	6,346	-	-	-	-	6,346
Other current assets	1,463	-	-	-	-	1,463
Total assets	$ 2,729,448	$ 1,765,616	$ 1,968,874	$ 13,322,952	$ 12,887	$ 19,799,777
Liabilities and Fund Balances						
Liabilities						
Overdrafts	$ -	$ -	$ -	$ -	$ 36,596	$ 36,596
Accounts payable	-	60,544	1,164,873	95,148	-	1,320,565
Unearned revenue	-	-	830,667	-	-	830,667
Total liabilities	-	60,544	1,995,540	95,148	36,596	2,187,828
Fund Balances						
Nonspendable	35,159	-	-	-	-	35,159
Restricted	2,694,289	1,426,162	-	13,227,804	-	17,348,255
Assigned	-	278,910	-	-	-	278,910
Unassigned	-	-	(26,666)	-	(23,709)	(50,375)
Total fund balances	2,729,448	1,705,072	(26,666)	13,227,804	(23,709)	17,611,949
Total Liabilities and Fund Balances	$ 2,729,448	$ 1,765,616	$ 1,968,874	$ 13,322,952	$ 12,887	$ 19,799,777

	Student Activity Fund	Adult Education Fund	Child Development Fund	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Governmental Funds
Revenues						
Federal sources	$ -	$ 907,950	$ 562,001	$ -	$ -	$ 1,469,951
Other State sources	-	8,395,851	2,762,887	-	2,373,477	13,532,215
Other local sources	4,027,607	52,229	(767)	575,668	(14,417)	4,640,320
Total revenues	4,027,607	9,356,030	3,324,121	575,668	2,359,060	19,642,486
Expenditures						
Current						
Instruction	-	5,054,347	-	-	-	5,054,347
Instruction-related activity						
Supervision of instruction	-	455,042	-	-	-	455,042
Instructional library and technology	-	64,103	-	-	-	64,103
School site administration	-	2,850,935	75,445	-	-	2,926,380
Pupil services						
All other pupil services	-	257,784	-	-	-	257,784
Administration						
All other administration	-	307,457	64,157	-	-	371,614
Maintenance and operations	-	484,420	37,495	62,205	-	584,120
Ancillary services	4,029,527	-	-	-	-	4,029,527
Community services	-	-	3,174,776	-	-	3,174,776
Capital outlay	-	-	-	277,098	-	277,098
Total expenditures	4,029,527	9,474,088	3,351,873	339,303	-	17,194,791
Excess (Deficiency) of Revenues over expenditures	(1,920)	(118,058)	(27,752)	236,365	2,359,060	2,447,695
Other Financing Sources						
Transfers out	-	-	-	-	(2,382,769)	(2,382,769)
Total other financing sources	-	-	-	-	(2,382,769)	(2,382,769)
Net Change in Fund Balances	(1,920)	(118,058)	(27,752)	236,365	(23,709)	64,926
Fund Balance, Beginning	2,731,368	1,823,130	1,086	12,991,439	-	17,547,023
Fund Balance, End	$ 2,729,448	$ 1,705,072	$ (26,666)	$ 13,227,804	$ (23,709)	$ 17,611,949

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, 2023. 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.

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

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

These schedules are included to provide information regarding the individual funds that have been included in the Nonmajor 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, 2023

East Side Union High School District

CPAs & BUSINESS ADVISORS

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 (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise District's basic financial statements and have issued our report thereon dated December 13, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Eide Bailly LLP

Menlo Park, California
December 13, 2023

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for Each Major Federal Program; Report 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

Opinion on Each Major Federal Program

We have audited East Side Union High School District's (District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of District's major federal programs for the year ended June 30, 2023. District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of District's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Eide Bailly LLP

Menlo Park, California
December 13, 2023

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on State Compliance

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

Report on State Compliance

Qualified and Unmodified Opinions on State Compliance

We have audited East Side Union High School District's (District) compliance with the requirements specified in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2023.

Qualified Opinion on Home to School Transportation Reimbursement and Unduplicated Local Control Funding Formula Pupil Counts

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023, except as described in the accompanying schedule of findings and questioned costs.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on the Home to School Transportation Reimbursement and Unduplicated Local Control Funding Formula Pupil Counts

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Home to School Transportation (2023-001) and Unduplicated Local Control Funding Formula Pupil Counts (2023-002).

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Compliance Requirements Tested

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

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Yes
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program:	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	No, see below

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
Immunizations	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Transitional Kindergarten	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
Annual Instructional Minutes – Classroom Based	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.

Juvenile Court Schools
We did not perform Juvenile Court Schools procedures because the program is not offered by the District.

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
The District did not elect to operate as a school district of choice; therefore, we did not perform procedures related to District of Choice.

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.

After/Before School Education and Safety Program
We did not perform procedures for the After/Before School Education and Safety Program because the District did not offer the program.

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.

Immunization
The District was not listed on the immunization assessment reports; therefore, we did not perform any related procedures.

Transitional Kindergarten
The District did not report ADA for transitional kindergarten; therefore, we did not perform procedures related to Transitional Kindergarten.

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 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 a material noncompliance with compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Menlo Park, California
December 13, 2023

Schedule of Findings and Questioned Costs
June 30, 2023

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 disclossed 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
Child Nutrition Cluster	10.553, 10.555, 10.579
COVID-19, Education Stabilization Fund	84.425C, 84.425D, 84.425U

Dollar threshold used to distinguish between Type A and Type B programs	$1,211,160
Auditee qualified as low-risk auditee?	Yes

State Compliance

Unmodified for all programs except for the following programs which were qualified

Name of Program
Home to School Transportation Reimbursement
Unduplicated Local Control Funding Formula Pupil Counts

None reported.

None reported.

2023-001 **40000 - Home to School Transportation**

Criteria or Specific Requirements
The District was to develop and adopt a plan by April 1, 2023, pursuant to Education Code section 39800.1(a), describing the transportation services it will offer to its pupils, and how it will prioritize planned transportation services (Plan).

Condition
The District did not adopt a Plan before April 1, 2023.

Questioned Costs
The District received $3,538,988 under the Home to School Transportation Grant.

Context/Cause
The Plan was adopted on April 20, 2023. Management of the District informed us that the reason the Plan was not adopted before the April 1, 2023, statutory deadline is that information from California Department of Education (CDE) was not solidified until after March 2023 and that the District also received conflicting guidance from regulators about eligibility. According to the District, the Plan was adopted on April 20 with hopes of the CDE providing waivers.

We verified that the noncompliance was limited to the Plan's adoption date and further that the grant accounting treatment was consistent with governmental accounting standards.

Effect
The District was not eligible to use funds as granted by the State.

Repeat Finding
No

Recommendation
We recommend the District seek a waiver for the Plan adoption date compliance requirements.

Corrective Action Plan and Views of Responsible Officials
The State implemented a new transportation grant program late into 2022-23. Initially, the District was informed that they did not meet eligibility. Information from the CDE was not solidified until after March 2023, providing little to no time to meet the April 1 deadline for a Board to approve a plan. A plan was adopted on April 20, 2023, in hopes of the CDE providing waivers due to the late information, including the final amounts LEAs would receive. After the April 1, 2023, deadline, information was researched by the District to determine if a waiver could be filed. It was not until late April that information was available on the Education Audit Appeals Panel (EAAP) website. Based on that information, the District did not implement the program in 2022-23. The funding was automatically distributed by the CDE to all districts eligible for funding, albeit funds were not received until June 2023. Staff made the appropriate decision to set up a payable to the State for the 2022-23 funding to ensure compliance. The District was never out of compliance with this funding. As of June 30, 2023, the District reported $3,538,988 as a liability of the general fund related to the identified grant funding.

Given the circumstances, the District acted appropriately in setting up a payable. It would have been irresponsible for the District to expend the funds for usage of the grant. The CDE was not approving any waivers for these funds. The District will approve a Plan in February each year to ensure the Plan meets the statutory timelines 2023-2024 and going forward.

2023-002 **40000 - Unduplicated Local Control Funding Formula Pupil Counts**

Criteria or Specific Requirements
Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the District on census day (first Wednesday in October). The percentage equals:

Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. Divided by total enrollment in the LEA (EC sections 2574(b)(1) and 42238.02(b)(5)).

"Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (EC sections 2574(b) (2) and 42238.02(b)(1)). Data submitted by LEAs to CALPADS is used as the starting point for calculating the unduplicated student count. CALPADS Certification Report 1.17 – FRPM/English Learner/Foster Youth – Count, displays the counts of students by category and an unduplicated total.

In order to be counted in Report 1.17, a student must have an open primary or short-term enrollment in CALPADS over census day and meet one or more of the following criteria:

- Have a program record with an education program code of Homeless (191), Migrant (135), Free Meal Program (181), or Reduced-Price Meal Program (182), that is open over census day.
- Have an English Language Acquisition Status (ELAS) of "English learner" (EL) that is effective over census day.
- Be directly certified in July through November as being eligible for free meals based on a statewide match conducted by CALPADS.
- Be identified as a foster youth based on a statewide match conducted by CALPADS.
- Be identified as a foster youth through a local data matching process and submitted to and validated by CALPADS.

Condition
We identified students classified as eligible for free or reduced price meals per the documentation provided by the District.

Questioned Costs
The method of determining the total impact of the finding on the District's unduplicated pupil count is an extrapolation of the known inappropriately reported pupil counts. Calculated questioned costs are $4,931, per the California Department of Education Audit Finding Calculator.

Context
The following describes the identified deviations:

FRPM Eligibility - Of the students indicated as a “No” under the “Direct Certification” column, that are only free or reduced priced meal eligible (FRPM) identified under the “NSLP Program” column, we identified ***two*** deviations of ***60*** samples.

CALPADS certified total enrollment count was 66,199, and the certified total unduplicated pupil count was 32,386.

Decreases to the unduplicated pupil count are as follows:

FRPM eligibility - Decreases to the unduplicated pupil count based on FRPM eligibility and calculated by extrapolation of the known inappropriately reported pupil counts are 8.

The adjusted unduplicated pupil count based on extrapolation is 32,378. There is no change to enrollment count.

Effect
The District did not comply with certain compliance requirements related to classification of unduplicated pupils.

Cause and Recommendation
The District's internal control process over reviewing meal price applications does not include adequate monitoring for quality control.

Repeat Finding
No

Corrective Action Plan and Views of Responsible Officials
The District will review the current process and procedures to determine deficits in the system that need to be addressed to ensure that appropriate identification and reporting is accurate.

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