

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

---

**2012 MEASURE I FUND  
ANNUAL FINANCIAL REPORT**

---

**FOR THE YEAR ENDED JUNE 30, 2017**

*This page left blank intentionally.*

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## 2012 MEASURE I FUND TABLE OF CONTENTS JUNE 30, 2017

---

### *FINANCIAL SECTION*

Independent Auditor's Report	1
2012 Measure I Fund	
Balance Sheet	3
Statement of Revenues, Expenditures, and Changes in Fund Balances	4
Notes to Financial Statements	5

### *INDEPENDENT AUDITOR'S REPORT*

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	11
--	----

### *SCHEDULE OF FINDINGS*

Financial Statement Findings	14
Summary Schedule of Prior Audit Findings	15

*This page left blank intentionally.*



## INDEPENDENT AUDITOR'S REPORT

Governing Board and  
Citizens' Bond Oversight Committee  
East Side Union High School District  
San Jose, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the East Side Union High School District's (the District), 2012 Measure I Fund (the Fund), as of and for the year ended June 30, 2017, and the related notes to the financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the 2012 Measure I Fund of the East Side Union High School District at June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the financial activities of the 2012 Measure I Fund, as of June 30, 2017, and are not intended to present fairly the financial position and the results of operations of East Side Union High School District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2017, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered with the results of our audit.



Palo Alto, California  
December 6, 2017

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2012 MEASURE I FUND  
BALANCE SHEET  
JUNE 30, 2017**

---

**ASSETS**

Deposits and investments	\$ 66,242,015
Interest receivable	208,761
Prepaid expenses	<u>2,611</u>
Total Assets	<u><u>\$ 66,453,387</u></u>

**LIABILITIES AND FUND BALANCES**

**LIABILITIES**

Vendor payable	\$ 4,057,535
----------------	--------------

**FUND BALANCE**

Restricted for capital projects	<u>62,395,852</u>
Total Liabilities and Fund Balance	<u><u>\$ 66,453,387</u></u>

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

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2012 MEASURE I FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017**

---

**REVENUES**

Investment income \$ 842,341

**EXPENDITURES**

Current Expenditures

Classified salaries 466,381

Employees benefits 226,179

Supplies 1,655,792

Services and other operating expenses 1,242,686

Capital Outlay 29,681,114

Total Expenditures 33,272,152

**NET CHANGE IN FUND BALANCE** (32,429,811)

**FUND BALANCE - BEGINNING** 94,825,663

**FUND BALANCE - ENDING** \$ 62,395,852

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



# EAST SIDE UNION HIGH SCHOOL DISTRICT

## 2012 MEASURE I FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

---

### *NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The accounting policies of the 2012 Measure I Fund (the Fund) of the East Side Union High School District (the District) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

#### **Financial Reporting Entity**

The financial statements include the financial activity of the Fund only. The Fund was established to account for the expenditures of general obligation bonds issued under the Measure I Election of 2012 (the Measure). These financial statements are not intended to present the financial position and results of operations of the East Side Union High School District as a whole, in conformity with accounting principles generally accepted in the United States of America. The authorized issuance amount of the bonds is \$120,000,000. Schedule below summarizes the bond issuance dates and amounts:

<u>Issued Date</u>	<u>Series</u>	<u>Issued Amount</u>
11/13/13	Series A	\$ 20,000,000
06/23/15	Series B	100,000,000
	Total	<u>\$ 120,000,000</u>

#### **Fund Accounting**

The operations of the Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements of the Fund are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Using this measurement focus, only current assets and current liabilities are included in the balance sheet. Long-term debt is not included as a liability of the Fund, but is disclosed separately in the notes to financial statements. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## 2012 MEASURE I FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

---

### *NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED*

#### **Fund Balance - Governmental Funds**

As of June 30, 2017, fund balance of the Fund is classified as restricted for capital projects.

Restricted funds can only be spent 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.

### *NOTE 2 - INVESTMENTS*

#### **Investment in County Treasury**

The District, alongside with the Fund, is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement 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.

	Reported Amount	Fair Value
Deposits with County Treasurer	\$ 66,242,015	\$ 66,088,584

#### **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 is to changes in market interest rates. The Fund manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury Pool. The fair value of this investment is \$66,088,584 with an average maturity of 528 days.

#### **Fair Value Measurements**

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level.

Investment in the county treasury investment pool are not measured using the input levels above because the participant's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share. Accordingly, the Fund's investment in the Santa Clara County Pool is uncategorized.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2012 MEASURE I FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 - GENERAL LONG-TERM DEBT**

The 2012 Measure I general obligation bonds are outstanding as follows:

Issue Title	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds Outstanding June 30, 2017
				Outstanding June 30, 2016	Issued	
2012 A	2039	2.0%-5.3%	\$ 20,000,000	\$ 18,000,000	\$ -	\$ 17,535,000
2012 B	2036	4.0%-5.0%	100,000,000	100,000,000	-	98,000,000
				<u>\$ 118,000,000</u>	<u>\$ -</u>	<u>\$ 115,535,000</u>

The debt service requirements of 2012 Measure I bond program are outstanding as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	\$ 3,085,000	\$ 5,412,044	\$ 8,497,044
2019	2,620,000	5,302,944	7,922,944
2020	2,850,000	5,186,869	8,036,869
2021	3,120,000	5,040,194	8,160,194
2022	3,415,000	4,876,819	8,291,819
2023-2027	22,670,000	21,328,970	43,998,970
2028-2032	34,800,000	14,314,286	49,114,286
2033-2037	40,500,000	4,456,820	44,956,820
2038-2039	2,475,000	131,644	2,606,644
Total	<u>\$ 115,535,000</u>	<u>\$ 66,050,590</u>	<u>\$ 181,585,590</u>

**Debt Service Requirements**

The general obligation bonds mature through the 2039 fiscal year. Repayment of the bonds will be funded by a separate property tax override levied on property residing within the District boundaries. Property tax revenues will be collected and disbursed out of a separate Bond Interest and Redemption Fund accounted for by the Santa Clara County Controller’s Office. This fund is not included as part of these financial statements. General school district revenues will not be required to fund the debt service on the bonds.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2012 MEASURE I FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

---

**NOTE 4 - COMMITMENTS AND CONTINGENCIES**

**Construction Commitments**

As of June 30, 2017, the District had construction commitments which are partially funded by the 2012 Measure I Fund as follows:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Andrew Hill - Courtyards Improvements	\$ 236,859	6/30/2018
District Program Cost and Program Management Services Cost	854,586	6/30/2018
District Wide - Security Camera Upgrades	10,396	6/30/2018
District Wide - Fire Alarm Modernization	8,178,325	6/30/2018
District Wide - Security Camera Upgrades	88,660	6/30/2018
District Wide - Wireless Network Phase 2	58,680	6/30/2018
Foothill - Building D Computer Lab Modernization	2,202	6/30/2018
Foothill - Hooper Hall Modernization	643,926	6/30/2018
Foothill - Quad Upgrade (Hardscape - Landscape)	11,247	6/30/2018
Foothill - Site Infrastructure Improvements	26,242	6/30/2018
James Lick - Classroom Modernization	70,146	6/30/2018
James Lick - Pool Modernization	19,773	6/30/2018
James Lick - Site Infrastructure Improvements	2,649	6/30/2018
James Lick - Student Center and Quad Modernization	2,507,386	6/30/2018
Mt. Pleasant - New Student Center and Quads	2,899,479	6/30/2018
Mt. Pleasant - Pool Modernization	11,927	6/30/2018
Mt. Pleasant - Site Infrastructure Improvements	12,019	6/30/2018
Oak Grove - New Student Center and Quad Renovation	306,736	6/30/2018
Oak Grove - Renovate Building H1/H2 Restrooms	436,244	6/30/2018
Evergreen Valley - Fire Damper Upgrade	5,190	6/30/2018
Evergreen Valley - Science Classroom Refurbish	7,917	6/30/2018
Independence - Building J Modernization	571,777	6/30/2018
Independence - Buildings G,H, K and L Modernization	242,901	6/30/2018
Independence - Streetscape, Infrastructure, Wayfinding Modernization	234,407	6/30/2018
Phoenix - Classroom Building and Courtyard	329,154	6/30/2018
Santa Teresa - Building 1300 Modernization	39,621	6/30/2018
Santa Teresa - Building 600 Modernization	91,438	6/30/2018
Santa Teresa - Field Concession Building	67,538	6/30/2018
Santa Teresa - Infrastructure Modernization	4,774	6/30/2018
Santa Teresa - Student Parking Lot Entry	306,630	6/30/2018
Santa Teresa - Swimming Pool Modernization	12,900	6/30/2018

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2012 MEASURE I FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

---

**NOTE 4 - COMMITMENTS AND CONTINGENCIES, CONTINUED**

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Oak Grove - Replacement Security Fencing	109,178	6/30/2018
Piedmont Hills - New Classroom Building D1 and D2	9,583,898	6/30/2018
Piedmont Hills - Pool Modernization	178,268	6/30/2018
Piedmont Hills - Site Infrastructure Improvements	21,213	6/30/2018
Silver Creek - Building N Modernization and New Quad Marquee	889,894	6/30/2018
Silver Creek - Field Concession Building	23,815	6/30/2018
Silver Creek - Pool Modernization	19,200	6/30/2018
Silver Creek - Site Infrastructure Improvements	30,463	6/30/2018
Silver Creek - Upgrade Quads	1,112,180	6/30/2018
W.C. Overfelt - Pool Modernization	40,902	6/30/2018
W.C. Overfelt - Infrastructure	300	6/30/2018
W.C. Overfelt - Music, Art and Administration New Building and Central Quad Modernization	1,266,460	6/30/2018
Yerba Buena - New Student Union and Quad Modernization	6,944,645	6/30/2018
Yerba Buena - Pool Modernization	9,561	6/30/2018
	<u>\$ 38,521,706</u>	

**Litigation**

The Fund is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Fund as of June 30, 2017.

---

---

***INDEPENDENT AUDITOR'S REPORT***

---

---



**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 and  
Citizens' Bond Oversight Committee  
East Side Union High School District  
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the East Side Union High School District's (the District) 2012 Measure I Fund (the Fund), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated December 6, 2017.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

  
Palo Alto, California  
December 6, 2017



---

---

***SCHEDULE OF FINDINGS***

---

---

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2012 MEASURE I FUND  
FINANCIAL STATEMENT FINDINGS  
JUNE 30, 2017**

---

None reported.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2012 MEASURE I FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**JUNE 30, 2017**

---

None reported.